LEADING THE WAY FORWARD

ANNUAL REPORT 2019

SGH | Industrial Services, Media, Energy and Investments

OUR BRANDS ARE LEADERS WITHIN THEIR SECTORS

Our objective is to maximise returns to Shareholders through long-term sustainable value creation.

GROUP STRUCTURE

Industrial Services

WesTrac (100% owned) is the sole authorised CAT dealership in Australia's rich iron ore and thermal coal regions in WA and NSW/ACT

One of the largest CAT dealers globally (by sales)

23 branches and 3,300 employees

Trading revenue

$3.0b

Asset value

$1.9b

OUR BUSINESSES ARE LEADERS WITHIN THEIR SECTORS

A family of industry leaders, SGH has a unique position in all our markets. Our industrial services businesses led by WesTrac and Coates Hire continue to hold market leading positions in their respective fields. Seven West Media maintained its leading position as Australia's most watched television network for the 13th consecutive financial year. While our Energy business, led by our 28.6 per cent investment in Beach Energy has successfully positioned itself as a leading Australasian mid-cap upstream oil and gas business poised to supply the restricted East Coast gas market.

Industrial Services

Coates Hire (100% owned) is the largest nationwide industrial and general equipment hire company

Over 160 branches and 2,300 employees

AllightSykes manufactures and distributes industrial lighting, pumps, generators and engines

Trading revenue

$1.0b

Asset value

$2.2b

Energy

Beach Energy (28.6% owned) is a leading mid-cap E&P business operating assets across five basins and is a key supplier to the growing East Coast gas market

SGH Energy (100% owned) holds operated and non-operated oil and gas interests including 15% of the Crux LNG Project

Segment EBIT

$157m

Segment assets

$1.2b

Media Investments

Seven West Media (41% owned) is a leading diversified media company in Australia with 2,800 employees

Audience of 18.9 million Australians engaged monthly

Other media investments include interests an unlisted private equity media fund

Segment EBIT

$66m

Segment assets

$0.5b

CHAIRMAN'S LETTER

In FY19, we focused on leading our businesses to capture growth whilst continuing to support our customers' drive for greater efficiency and productivity.

Dear Shareholders

I am delighted to present to you another year of outstanding achievement by your Company. Seven Group Holdings (SGH) has a unique position in all our markets. A family of industry leaders, our businesses support our customers by offering leading products and services, whilst continuing to innovate and utilise technology to enhance our value proposition.

In FY19, we focused on leading our businesses to capture growth whilst continuing to support our customers' drive for greater efficiency and productivity. It is an approach that has driven performance for our shareholders and customers and provided exciting opportunities for our people.

As always, there are challenges. All of our businesses face competition from existing players and new entrants, from new technologies and new regulations. However, none of this is new, and in my experience, our leading businesses are all well positioned to embrace this challenge.

Shareholder returns

The value of our market leading industrial services businesses in WesTrac and Coates Hire, as well as our investments in Seven West Media and Beach Energy, is evident in our achievement of an outstanding operational performance and excellent returns for shareholders during the year in review.

In delivering its FY19 results, the Company has achieved improved returns in 2019, reporting Underlying EBIT of $695.1 million, an increase of 40 per cent on 2018 on a continuing operations basis and Statutory NPAT of $219.2 million.

Our strong performance enabled the Board to declare a final dividend of 21 cents per share to be paid on 11 October 2019 and franked at 100 per cent. Total dividends declared for FY19 were 42 cents per share, representing a statutory payout ratio of 66 per cent.

Your Board is optimistic about the outlook for the Company. Notwithstanding the challenges and economic concerns around the globe, the Group's businesses hold leading market positions, supported by a strong balance sheet and financial discipline, enabling us to compete and take advantage of growth opportunities. SGH will continue to focus on creating shareholder value by disciplined capital management.

TELYS4 conversion

During the year, TELYS4 holders voted in favour of amending the terms of the TELYS4 to allow the conversion of TELYS4 shares into ordinary shares. The offer received overwhelming support at the meeting of TELYS4 holders, with 93 per cent of votes cast in favour of the proposal and 65 per cent of the register voting. Under the TELYS4 conversion, holders received 4.60645 ordinary shares per TELYS4. At the point of conversion this represented a 27 per cent premium above the pre-announcement TELYS4 price. From announcement to conversion, average daily TELYS4 volume increased by more than 50 times with 3.8 million TELYS4 trading, representing 77 per cent of the total TEYLS4 on issue. With the TELYS4 price trading to as high as $102.99 during this period, it created an opportunity that many TELYS4 holders successfully monetised.

Unifying the capital structure, combined with the benefits of a greater free float and index inclusion, has benefited all shareholders through deeper market liquidity and EPS and cash flow accretion.

Our people and culture

This is all possible because of our people's passion and commitment to work as a team. Our people continue to lead the way by securing and delivering products and services that provide our customers with the best possible outcomes.

Crucial to our culture is our commitment to continue to build a diverse team, keeping them safe and prioritising health and wellbeing in all that we do. The Board is committed to constantly challenging health and safety performance and continues to work proactively with management to drive a best practice safety culture.

Governance and the Board

The last year has seen considerable focus on regulatory engagement around the world. We remain confident in the strength of our governance and risk management framework and the ability of our people to adapt to changing market conditions allowing them to deliver positive customer outcomes.

Your Board takes a structured and rigorous approach to succession planning. We consider Board size, tenure and the skills, experience and attributes required to effectively govern and manage risk within the Group to ensure we have the right balance with industry and experience.

In February, the Board undertook a review of its structure and composition, and appointed an additional Independent Director, Ms Kate Farrar. The Board considers that Ms Farrar's appointment adds further depth and strength, and that Ms Farrar's skills and experience, particularly in investment analysis, capital management and allocation and energy sector knowledge, are valuable.

Thank you

In closing I would like to thank my fellow Board members, as well as all employees, whose commitment and dedication have helped to achieve our vision and continue to improve returns for shareholders.

I would also like to take the opportunity, on behalf of the Board, to thank our customers and shareholders for their ongoing loyalty and support to our Company.

Kerry Stokes AC
Executive Chairman

MANAGING DIRECTOR & CEO'S LETTER

Dear Shareholders

FY19 was a successful year for the Group, with robust, sustainable growth in our revenue and underlying profit. The results reflect the diversification of our portfolio, our financial discipline and our commitment to our stated objective of maximising return to shareholders through long-term sustainable value creation.

To drive this outstanding performance, requires a talented team of more than 5,600 people, who delivered exceptional results for our customers.

Leadership is our theme for this year's results. Each of our businesses are leaders in their own right, both in terms of their market position and the capability of their management teams and employees.

Health and Safety

The Group's people are unquestionably its greatest asset. There is nothing more important than the health, safety and wellbeing of our people and contractors. I am proud to say that we continue to perform well against our key health and safety indicators due to our ongoing focus on 'critical risks' – the low-likelihood, high-consequence risks that have the potential to cause serious injury or death. Reflecting the importance of this during the year, we expanded our safety commitment in leadership programs at WesTrac, as well as giving greater attention to diversity and inclusion across all of our businesses.

Training and investment in talent remains a priority and it was great to see the launch of the Coates Hire apprentice program during the year. This complements the established program at WesTrac which has 140 apprentices.

Performance overview

In 2019, our operating performance improved further from last year, with an outstanding financial result with trading revenue up 27 per cent to $4.1 billion. Underlying EBIT on a continuing operations basis increased by 40 per cent to $695.1 million, with growth achieved across all of our business segments. Our statutory NPAT of $219.2 million was impacted by the Group's share of results from Seven West Media.

The Group is generating more than double the Underlying EBIT than it was in 2016, a phenomenal outcome that has been built upon our core values of Discipline, Performance, Accountability, Agility and Respect.

This performance was led by the continued growth in WesTrac's parts business and a recovery in new mining equipment sales, as our customers look to maximise their output in the mining production cycle.

Coates Hire is in a challenging environment as our major customers look to resolve disputes and reduce cost whilst the next wave of large infrastructure projects are awarded and production is ramped up. To this end, we have made some minor adjustments to ensure that we have the right business model suited to this environment and we remain ready to deliver for our customers.

The Group's investments in the energy sector continued to gain momentum on the back of the continued shortage of East Coast domestic gas, driving prices to historically high levels. The Group, with the benefit of a strong balance sheet, took the opportunity when equity markets became dislocated, to invest an additional $111.4 million in Beach Energy in November 2018 on the basis of the strong operational performance and diversified asset base of the company.

$4.1b
Trading revenue

$695.1m
Underlying EBIT result

40%
Higher than FY18 Underlying EBIT

The market value of the Group's 28.6 per cent investment in Beach Energy has grown significantly, as well as providing $158.4 million towards FY19 Group underlying EBIT.

We benchmark the Group against the top quartile of the S&P/ASX 100 (ex-financials) and I am pleased to report that the Group has been one of the best performers against the index in the three years to 30 June 2019, delivering an annualised total shareholder return of 52 per cent and ranking second only to one of our key customers.

We will always seek to maintain a strong balance sheet. This enables us to take advantage of opportunities to grow the company as they arise and protects us from volatility in markets and cycles as they inevitably occur. This can be seen in the reduction of our net debt to under $2 billion as at 30 June 2019. We also took the opportunity to realise approximately $200 million from our listed investment portfolio during the year, reducing the balance of the portfolio to $196.4 million.

Our Strategy

We have uniquely positioned the Group to capture the benefits of three market thematics: mining production growth / infrastructure investment / East Coast gas demand. Whilst we have entered a period of economic uncertainty, these sectors continue to perform well, and our objective is to sustain and grow the level of profitability we achieved in FY19 and ensure that our businesses continue to hold their market leading positions.

Leadership is our theme for this year's results.

Our strategy to achieve this involves empowering our people to pursue growth in their businesses through investment in technology, innovation and partnering closely with customers to help deliver outcomes. At a Corporate level we aim to provide the right capital structure and balance sheet flexibility for our businesses while maximising the return for our shareholders.

Outlook

When reflecting on the strength of our balance sheet, the foundations of our businesses and our leadership teams, I am confident that the potential of Seven Group Holdings is significant. We are focused on delivering another great result in FY20 at the same time as delivering on our strategic priorities.

Our Industrials businesses are well placed to benefit from the mining production cycle and the continued investment in infrastructure. WesTrac plays an important role in providing solutions to the world's largest miners and continues to find ways to deliver superior customer service, whilst at Coates Hire we are focused on optimising the branch network and asset fleet to ensure customers have access to the right equipment at the right place and time. In Energy, our investment in Beach Energy is led by a highly capable management team operating a quality set of assets and exploration opportunities, whilst at SGH Energy, momentum on the Crux LNG Project continues to build and we are confident in achieving a valuable outcome for the Group over time.

In conclusion, I would like to take this opportunity to thank our dedicated employees across the Group, our customers, and the communities we operate within – as well as our business partners and suppliers – for their continued support. I look forward to working with you to continue to grow SGH.

Ryan Stokes
Managing Director & CEO

GROUP HIGHLIGHTS

$4.1b

Underlying EBIT

$695.1m

↑40%

Fully franked dividend

42c

The Group has delivered underlying earnings before interest and taxation (EBIT) of $695.1 million for the year ended 30 June 2019. FY19 earnings guidance provided in August 2018 indicated the Group would be up 25 per cent on FY18 on a continuing operations basis. Following a strong operational performance the Group issued revised guidance in April 2019 to be up 40 per cent on FY18 underlying EBIT, as such we have delivered on the revised guidance.

Operating cash flow

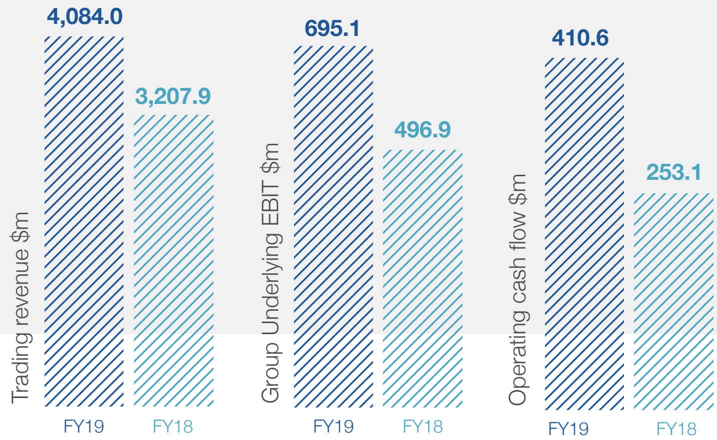
$410.6m

↑62%

$1.43

Underlying earnings per share

Trading revenue of $4.1 billion was up 27% on the prior year on a continuing basis, with growth in all operating businesses.



Five year results

Five Year Key Financial Results ($m)	2019	2018[a]	2017[a]	2016	2015
Trading revenue	**4,084.0**	3,397.8	2,884.7	2,837.7	2,779.6
Underlying results[b]					
EBITDA	**895.2**	660.7	366.9	340.8	376.6
EBIT	**695.1**	514.1	333.3	302.8	314.5
Profit before tax	**592.3**	410.3	249.8	213.6	230.9
Profit after tax	**478.9**	332.3	215.4	184.2	204.3
Statutory results					
Profit before tax	**332.3**	483.8	79.3	217.0	(650.1)
Profit after tax	**219.2**	415.6	46.2	197.8	(359.1)
Underlying EPS ($)	**1.43**	1.00	0.67	0.56	0.59
Reported EPS ($)	**0.65**	1.27	0.07	0.60	(1.29)
Operating cash flow per share ($)[c]	**1.23**	0.82	1.05	1.10	0.96
Free cash flow per share ($)[d]	**0.45**	0.34	0.96	0.93	0.60
Full year fully franked ($) ordinary dividend per share	**0.42**	0.42	0.41	0.40	0.40

(a) 2018 and 2017 figures include continued and discontinued operations.
(b) Underlying results comprise statutory results adjusted for significant items and are separately disclosed in Note 3: Significant items of the Financial Report to assist users in understanding the financial performance of the Group. Underlying results are reconciled to statutory performance on page 26. They are a non-IFRS measure and have not been audited or reviewed.
(c) Operating cash flow per share is calculated by dividing the operating cash flow of the Group by the weighted average number of ordinary shares outstanding during the year.
(d) Free cash flow is operating cash flow less net capital expenditure of the Group divided by the weighted average number of ordinary shares outstanding during the year.


coateshire 13 15 52
DANGER
DO NOT STAND
IN THIS AREA WHILST
MACHINE IS OPERATING
CAT Rental
coateshire
13 15 52

NORTHCONNEX PROJECT AT PENNANT HILLS, NSW. EQUIPMENT: PADFOOT DRUM ROLLER

LEADING OUR INDUSTRY, CHAIN OF RESPONSIBILITY

During the year the National Heavy Vehicle Regulator (NHVR) undertook a review of the Chain of Responsibility (CoR) legislation with a view of implementing major change to address some concerning transport industry safety incident trends. At this time Coates Hire joined with several transport industry experts to develop a Master Code for this legislation aimed at assisting the many subject matter experts in the logistics industry to understand their legislative requirements. This Master Code was endorsed by the NHVR and released in conjunction with the revised legislation in October 2018.

In a targeted effort to ensure the Hire and Rental Industry understood their CoR obligations, Coates Hire has partnered with the Hire & Rental Industry Association (HRIA) to develop online and face to face educational and training tools to assist our industry members with enhancing their understanding and compliance.

Coates Hire continues to educate our own people and our transport partners through many channels such as E-Learning modules, load restraint guides and other CoR related educational tools.

WESTRAC

> We are committed to excellence and are focused on long-term customer relationships.

Jarvas Croome, WesTrac CEO

Environmental Monitoring using Drone Technology

In 2019 WesTrac introduced drone technology to monitor its operations and surrounding environment in order to provide an aerial view of roof water catchment, external lighting, drainage, fence lines and areas of significant environmental significance such as the Tomago surrounds that are classified as a Ramsar Wetland under the Ramsar Convention 1971. This innovation also allows the business to monitor flora, weed management, natural irrigation and aids in the preparation of bushfire risk reduction strategies.

ABOVE:
DRONE IMAGE OF THE TOMAGO FACILITY, NSW

As one of the largest authorised CAT equipment dealers in the world, WesTrac provides customers with a wide range of machinery and construction equipment as well as comprehensive whole-of-life management solutions designed to make owning and operating equipment as safe, easy and profitable as possible.

With more than 3,300 staff and 140 apprentices enrolled in our nationally accredited training institute, WesTrac is dedicated to creating and delivering outstanding value for our employees, customers, shareholders and the community.

We are committed to excellence and are focused on long-term customer relationships and a dedication to customer service, safety, quality and the environment. Community involvement is an important part of the WesTrac philosophy, and we are proud to support local activities, events and charities in the regions we are based.

FY19 highlights

FY19 has seen new CAT products create new opportunities. WesTrac is pleased to be partnering with Rio Tinto and CAT in the commissioning and ongoing support of advanced automation equipment for Rio Tinto's Koodaideri iron ore Mine of the Future™. WesTrac will support CAT with the supply and commissioning of a fleet of 20 autonomous 793F trucks as well as hydraulic excavators, dozers, water carts, blast drills, motor graders and support equipment. This will make Koodaideri the first Rio Tinto Pilbara mine to exclusively operate CAT machinery. In addition, WesTrac has seen strong customer demand across many of the major commodities as well as new energy sources such as lithium.

WesTrac continues to work with a range of mining customers on technology solutions to ensure optimal productivity for their operations. WesTrac has a dedicated team of 90 Machine Control and Guidance Technicians on hand to support the growing demand for autonomous technology in the region.

Continued growth in mining production and infrastructure investment has led to growing long-term demand for WesTrac parts and service required to maintain an ageing installed fleet.

$3.0b
Revenue

$285.6m
Underlying EBIT

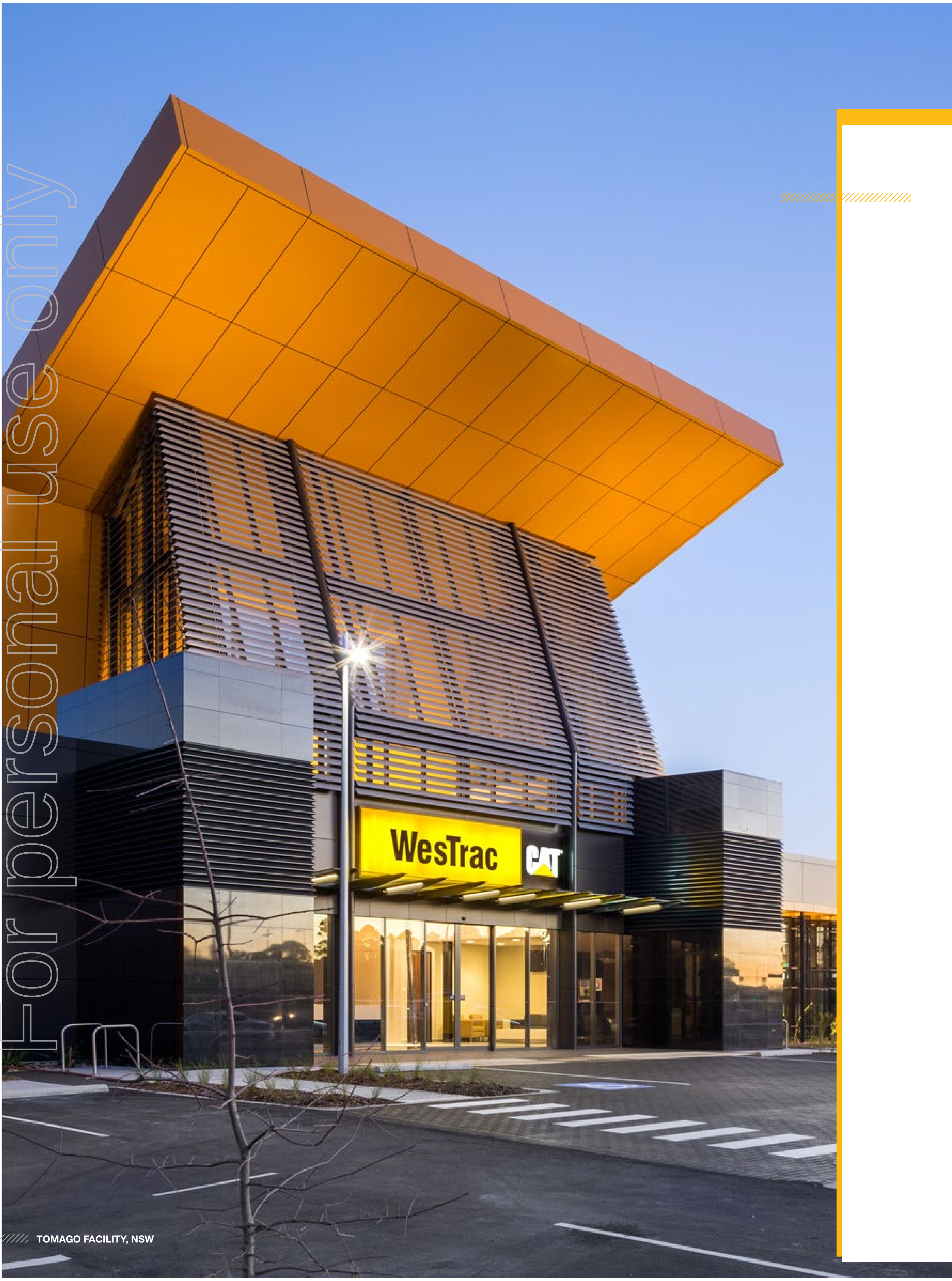
$1.9b
Asset Value

During FY19, mining fleet utilisation remained robust and on the back of this demand, WesTrac continued to invest in parts inventory and components to ensure customer demand for parts and service could be met when and where required. This has led to a record 6.4 million parts lines invoiced in WA and NSW, up 11 per cent on the prior period.

Strong customer demand continues for autonomous technology with both new equipment deliveries and further conversions of existing trucks. An important aspect of technology deployment is ensuring that all operational fleet is site aware, a significant project for WesTrac and its customers. With 197 Autonomous Haulage trucks now operating in Western Australia, WesTrac remains committed to innovation, safety and productivity improvements to ensure our customers are able to deliver their optimal operational outcomes.

WesTrac launched ‘Click & Collect’ in New South Wales through FY19, allowing customers to order parts online and then collect their merchandise at a more convenient local locker, avoiding metropolitan traffic constraints. This is an industry-first parcel locker parts delivery service, with real time email and text message notifications. Click & Collect will help cement WesTrac’s position as a leading, innovative, customer-focussed partner whilst driving online transactions at parts.cat.com. Since the launch, 41 per cent of Click & Collect order collections have been made outside of traditional business hours showing the solution is providing more convenient solutions for customers and increasing customer satisfaction.

JAMES CLARK – PORT HEDLAND FIELD SERVICE – APPRENTICE



TOMAGO FACILITY, NSW

WESTRAC

WesTrac has an extensive footprint across Western Australia, New South Wales and Australian Capital Territory. To ensure we are well located for each customer's requirement, the business continues to optimise its operational footprint. An important milestone this year was the official opening of the new operational facility in Casula in south west Sydney. This leading facility is the second major new development WesTrac has made in NSW in the last six years and is one of many capital investments WesTrac is proud to have made in support of our customers and operations. This investment has been designed to support our customers, who play an integral part in the construction of infrastructure to support economic growth in NSW. WesTrac employs over 150 people, including 10 apprentices, in the Sydney region, ensuring it has the capacity and the proximity to service customers who are delivering Sydney's vast infrastructure pipeline. WesTrac also provides access to leading machining capability including a robotic welding and High Velocity Oxygen Fuel (HVOF) coating which improves the performance of final drives and hydraulic cylinders through the Component Rebuild Centres at Guildford and Tomago, improving operating efficiency and customer satisfaction.

During the year, the WesTrac leadership team set about creating a leading culture that is safe, engaged and customer focussed. Through extensive consultation with the business, WesTrac defined a new ethos for the business, a culture 'Built By Us', which is underpinned by the business' five core values of safety, pride, accountability, respect and customer.

The leader-based program focussed on how leaders impact culture and safety and how they can improve their leadership skills and style to engage their teams through building trust, communicating effectively and managing change.

Whilst FY19 marked the commencement of the cultural transformation, WesTrac will continue to build on the 'Built By Us' program and create a sustainable cultural change to attract, retain and develop potential and current team members and create a culture that is safe, productive, enjoyable and customer focused.

Looking to FY20, WesTrac remains well positioned. Parts volume levels are expected to remain strong while service sales will benefit from an expected increase in maintenance activities and new machine assembly. Activity levels in both mining and construction markets should see an increase in new equipment sales to support our customers investment in replacement fleet. WesTrac remains committed to be our customers' first choice in equipment solutions.

WesTrac Honey and Sustainable Communities

The plight of the honey bee has been a topical issue in Australia and one that has resonated with WesTrac staff and its surrounding communities. One of WesTrac's HSE Advisors championed the idea to partner with Urban Hum Bees as a commitment to sustainability in the local environment in Tomago. With open land to the south of the site, WesTrac partnered with Urban Hum and installed 110 hives around 26 suburbs of Newcastle and Lake Macquarie in private residences and commercial buildings such as cafes and restaurants. The honey was subsequently sold with funds raised for employee wellness activities, local charities and to provide education about the importance of bees to WesTrac's staff and community.

ABOVE: HONEY AND SUSTAINABLE COMMUNITIES

COATES HIRE

Coates Hire has a unique national footprint, providing it with a distinct competitive advantage.

Murray Vitlich, Acting Coates Hire CEO

$956.5m Revenue

$183.6m Underlying EBIT

$2.1b Asset Value

Leading industry, Silica dust mitigation

Silica has been a long standing health hazard. The risk arises through inhalation of dusts containing crystalline silica. In recent years, the associated health risks relating to exposure to silica dust in the worksite have resulted in increasingly stronger guidelines governing the use of masonry and stonecutting equipment. The guidelines place more responsibilities on employers to mitigate any risks associated with construction work, including concrete cutting and drilling.

This has prompted many leading manufacturers to develop dust mitigation solutions to use with both their existing tool ranges and their future models. After a product evaluation program Coates Hire has selected a range of solutions that stand up to tough work conditions when used in accordance with manufacturers specifications. We are now introducing a range of equipment across our national network.

Coates Hire is the market leader in Australian equipment hire with a national footprint of over 160 branches (excluding site specific branches) and over one million pieces of equipment across 22 product categories, employing more than 2,300 employees and has over 16,000 customers.

Coates Hire services a diverse range of end markets including engineering, mining and resources, infrastructure, manufacturing, construction, agriculture and major events.

Coates Hire also has a service offering that provides cost effective, custom-designed solutions across a range of specialist product areas including shoring, propping, traffic, events, water and wastewater management.

FY19 highlights

This past year has seen Coates Hire supply equipment and services to customers on the major infrastructure and mining projects all across Australia. Examples include: the Pacific Highway Upgrade 'Woolgoolga to Ballina' and the Sydney CBD Light Rail projects in New South Wales, the Westgate Tunnel and Melbourne Metro Rail Tunnel in Victoria, the Gateway Upgrade and Amrum Bauxite mine in Queensland, and the Northlink National / Reid Highway development and Kwinana Lithium Production Plant in Western Australia.

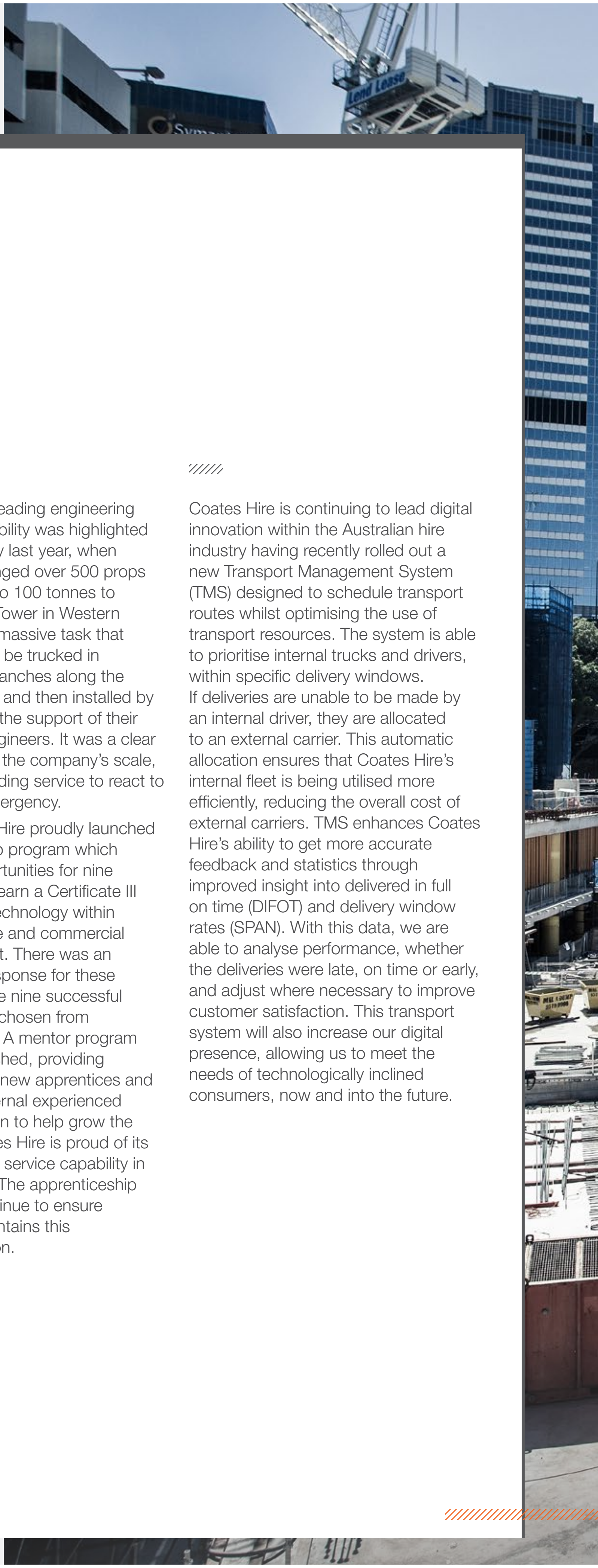
Coates Hire has a unique national footprint, providing it with a distinct competitive advantage. This unparalleled network allows the business to service its highly diversified customer base across mining, engineering, construction, industrial maintenance and government ensuring that management is able to deploy fleet to areas in demand and maximise financial utilisation, optimise time utilisation and minimise fleet downtime. In particular it has a long history of commitment to metropolitan, regional and remote Australian communities. Most recently, Coates Hire acquired a leading general hire business, Campbell's Hire in Narrabri, further strengthening its ties within the NSW North Inland region.

With the largest and broadest hire fleet offering in the Australian hire industry, Coates Hire continues to lead in equipment range, depth and investment. Coates Hire has over $1.7 billion of hire equipment at original cost which is more than three times the offering of the next largest general hire competitor. In FY19, the Group invested a further $200 million of capital refreshing and growing this fleet. This equipment is crucial to supporting a diverse range of customers from multinational construction and mining companies all the way through to trade and retail customers.

Coates Hire is leading the worldwide rental industry in engineering capability and solutions. Currently, Coates Hire provides end to end, temporary works engineered solutions to its customer base with a combination of civil, chemical, structural, mechanical, electrical and geotechnical engineers. This engineering expertise combined with the ability to install and hire the right equipment, has enabled Coates Hire to add significant value for our customers while providing leading class services. Engineering solutions are used in applications such as: structural propping support, basement construction support with hydraulic shoring, dewatering, water treatment and civil and infrastructure projects such as pumping stations.

FIELD SERVICE VEHICLE AT PORT CONNECT PROJECT, BRISBANE, QLD

COATES HIRE



High Grade Lightweight Steel

Coates Hire has signed a three year, $450,000 partnership with Monash University to develop high-performance Structural Support Systems. The University's engineers, led by Dr Amin Heidarpour – Head of Structural Engineering Group – have spent the last six years developing high-performance steel structural elements and this partnership will take their research out of the labs and onto construction sites.

The Coates Hire research partnership will support a number of PhD projects under Dr Heidarpour's guidance, mostly focused on lighter but stronger temporary engineering solutions, such as struts, props and walers used in making excavations safe, sustainable, affordable and efficient.

Evidence of this leading engineering and service capability was highlighted on Christmas Day last year, when Coates Hire arranged over 500 props ranging from 30 to 100 tonnes to secure the Opal Tower in Western Sydney. It was a massive task that required props to be trucked in overnight from branches along the entire East Coast and then installed by Coates Hire with the support of their own certifying engineers. It was a clear demonstration of the company's scale, expertise and leading service to react to this customer emergency.

In FY19, Coates Hire proudly launched an apprenticeship program which will provide opportunities for nine young people to earn a Certificate III in Mobile Plant Technology within a safe, supportive and commercial work environment. There was an overwhelming response for these positions, with the nine successful applicants being chosen from 244 applications. A mentor program has been established, providing benefits to those new apprentices and also involving internal experienced tradespeople keen to help grow the talent pool. Coates Hire is proud of its leading customer service capability in the hire industry. The apprenticeship program will continue to ensure the business maintains this leadership position.

Coates Hire is continuing to lead digital innovation within the Australian hire industry having recently rolled out a new Transport Management System (TMS) designed to schedule transport routes whilst optimising the use of transport resources. The system is able to prioritise internal trucks and drivers, within specific delivery windows. If deliveries are unable to be made by an internal driver, they are allocated to an external carrier. This automatic allocation ensures that Coates Hire's internal fleet is being utilised more efficiently, reducing the overall cost of external carriers. TMS enhances Coates Hire's ability to get more accurate feedback and statistics through improved insight into delivered in full on time (DIFOT) and delivery window rates (SPAN). With this data, we are able to analyse performance, whether the deliveries were late, on time or early, and adjust where necessary to improve customer satisfaction. This transport system will also increase our digital presence, allowing us to meet the needs of technologically inclined consumers, now and into the future.

WATER TREATMENT AT BARANGAROO DEVELOPMENT, SYDNEY, NSW

ALLIGHT SYKES

Building reliable and quality products for 30 years.

Gus Elliot, AllightSykes CEO

$77.6m	$1.3m	$48.8m
Revenue	Underlying EBIT	Asset Value

AllightSykes is a market leader in the design, manufacturing and distribution of lighting, dewatering and power solutions and the driving force behind Perkins engines in Australia and FG Wilson in Australia and New Zealand.

With an active history stretching back 30 years, AllightSykes are the preferred equipment supplier for the largest resource, construction and hire companies both in Australia and globally, providing quality products and the highest level of service. The Allight and Sykes brands have large installed bases in sub-Saharan Africa, USA and Canada, South East Asia, South America and the Middle East, highlighting the ability to deliver and support product in a varied range of applications and environments.

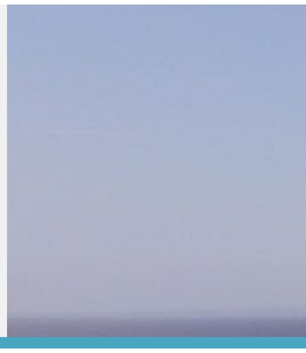
This service support extends to all models of generators, lighting towers, pumps, and diesel engines from a global network of dealer and service centres. AllightSykes' leading customer support is critical in ensuring equipment is maintained in peak condition, dispatching parts globally to support machinery and keep customer's productive.

FY19 highlights

Amongst many other examples AllightSykes showed this leading customer service when one of the largest iron ore miners in Western Australia's Pilbara region urgently required a powerful High Head Mine Series Pump for a slurry pipe application. With an extremely tight lead time, the 'engineered to order' pump was required to be designed, built and commissioned within a tight timeframe to the customer's detailed specification.

AllightSykes as a leader in high-pressure pumping applications, was well placed to provide the long-term solution including offering a bridging rental from our group company Coates Hire. Our customer was extremely satisfied with the quick, decisive actions as well as the management support and actions taken to respond to these requirements.

ENERGY



The investment in Beach Energy has been pivotal for the execution of the Group's energy strategy.

Margaret Hall, SGH Energy CEO

SGH Energy

SGH Energy has in place a detailed environmental management plan for its Longtom subsea wells and pipeline in Bass Strait. The plan includes review of potential environmental impacts from the existing facilities and operations so that SGH Energy can mitigate, reduce or eliminate the risks. A periodic revision of the plan is underway, including updated modelling of the ocean current, tide and wind conditions. The process includes consultation with key stakeholders and the national industry regulator. This will ensure that environmental and sustainability considerations of the project are analysed and the risks are well documented.

PHOTO CREDIT: MATTHEW BEWLEY (TELMAK IMAGES)

FY19 saw more momentum in the Group's investment in energy assets with Beach Energy having successfully positioned itself as a leading Australasian mid-cap upstream oil and gas business. It has built an enviable reputation as a leading operator across a diversified set of production, development and exploration assets, having a disciplined management team that has proven its capability in identifying and executing investment and divestment opportunities to further enhance its portfolio.

This is evidenced through the successful acquisition and integration of the former Lattice Energy assets. This integration, combined with Beach Energy's management discipline has resulted in a robust balance sheet that is debt-free, with $172 million in net cash. The strong financial position, coupled with upside opportunities in assets such as Waitsia and the Otway Gas Project, provides Beach Energy with a platform for continued growth in reserves and production over the long-term.

The Group benefited from the strong earnings contribution through its 28.6 per cent investment in Beach Energy, providing $158 million towards FY19 Group EBIT, which is up 114 per cent on the prior year. Beach Energy's strong operational results in FY19 were underpinned by the production performance delivered by Western Flank oil, Otway and Bass Basin gas and Kupe (NZ) gas, increasing total production for year by 55 per cent to 29.4 MMboe. Facility reliability has remained high and strong customer demand continues in all regions.

The investment in Beach Energy has been pivotal for the execution of the Group's energy strategy over time which has focused on the East Coast gas market. In November 2018, the Group invested an additional $111 million in Beach Energy on the basis of the strong operational performance of the company and a positive market outlook. The market value of the Group's holding in Beach Energy has more than doubled its original cost over the investment horizon to $1.3 billion, however it is noted that the book value of $742 million on the Group's balance sheet reflects an historical equity accounted value.

The Group's wholly owned SGH Energy business also reached some significant milestones during FY19, primarily relating to its 15 per cent investment in Crux, located in the Browse Basin and operated by Shell Australia.

Notable outcomes during the year include a binding Head of Agreement for the processing of Crux production through the Shell-operated Prelude Floating LNG facility. The Concept Select Phase of the project was completed in December 2018 and Front-End Engineering and Design (FEED) commenced in January 2019, with the scope of work to be completed by a consortium of Wood-KBR over 18 months prior to a Final Investment Decision (FID) forecast in mid-2020.

Prelude was successfully commissioned by Shell and shipped its first cargo of LNG in June 2019. This milestone, together with the agreements entered during year, confirms Crux as the primary backfill supply for Prelude and creates a clear pathway to market for Crux production, on processing terms that are commercially attractive, and with production set to commence in 2024 / 25 during a period when the global LNG market is projected to be undersupplied.

The Group is in a strong financial position to see the Crux investment through to FID and into production, thereby providing an opportunity to realise a highly profitable earnings and cash flow stream expected over a base case production outlook of approximately 15 years. The Group has commenced a parallel price discovery process and will transact if an acceptable value threshold can be achieved. The Group's balance sheet provides the flexibility to retain this dual-track optionality and pursue the most value accretive option for shareholders.

SGH Energy is also continuing the process of bringing its wholly owned Longtom gas project located in the Gippsland Basin into production. Longtom is capable of supplying 80 PJ of uncontracted gas into the East Coast market through developed and undeveloped resources. Negotiations are underway for access to pipeline and processing infrastructure and technical studies have commenced into the feasibility of alternative options including stand-alone infrastructure.

BEACH ENERGY'S KUPE PLATFORM IN NEW ZEALAND'S TARANAKI BASIN

SEVEN WEST MEDIA

When you look at the markets we operate in and the base and reach of SWM assets, the strength of the offering is undeniable.

James Warburton, Seven West Media MD & CEO

Seven West Media's (SWM) focus is on creating world class content that engages audiences at scale and drives growth for their partners and the business. SWM creates premium entertainment, news and lifestyle content for both local and international audiences. It is Australia's largest producer of premium television and the most watched television network. Additionally, digital audiences and revenues continue to grow rapidly, accelerated by data, insights and technology.

SGH owns a 41 per cent interest in SWM which is home to leading brands across broadcast, digital, production and distribution and publishing.

FY19 highlights

FY19 saw the Seven Network maintain its position as Australia's most-watched television network for 13 consecutive financial years. This success has come from the consistency and depth in broadcast schedule, led by market leading News and Current Affairs programming. 7NEWS, Sunrise and The Morning Show all lead in their timeslots by a material margin, giving Seven a number one position for more than 50 per cent of every weekday, through this content alone.

Seven's first Summer of Cricket broke records, with the network enjoying 39 days with a commercial FTA viewing share in excess of 40 per cent – the most in ratings history. Seven's fresh and innovative coverage of Test and Big Bash cricket lifted its daily audience share by 5.2 percentage points across the summer.

The 2019 AFL Season also launched with a series of blockbuster ties, reaffirming its position as Australia's number one winter sport.

The advertising market began the 2019 financial year strongly, but softness in the housing sector, political uncertainty from the leadership spill and the federal election negatively impacted the advertising sector for the full financial year.

Seven's owned and operated digital products also recorded an all-time high unique audience of over 6.1 million Australians in June after growing 27 per cent year on year. Having formally launched streaming platform 7plus at the beginning of 2018, audience adoption has scaled rapidly. In the 2019 financial year BVOD consumption on 7plus grew by 72 per cent, comfortably outperforming the market.

Seven continues to improve its digital audience targeting capabilities, unifying insights and data analytics across the group, and using third-party partnerships to further accelerate audience insights.

Looking to FY20, Seven will build upon the strong programming foundations delivered by the market-leading core of news, sport, breakfast and drama shows with a refreshed slate of bold entertainment programming to strengthen prime time performance. SWM will continue to transform the company, ensuring the Company becomes even more efficient and effective at delivering world class content that audiences want, when they want, on their preferred platform.

Over $1.5 billion in revenue, platforms that reach 18.6 million members and #1 television network for 13 consecutive financial years.

SEVEN NETWORK LIVE AFL BROADCAST

LEADERS IN CUSTOMER SERVICE, PARTS EXCHANGE

As the leading CAT dealer in Western Australia and New South Wales, WesTrac has made a significant investment in Parts Exchange Components ("PEX"). WesTrac's PEX pool critically supports our customers by minimising the downtime of their machines that require component replacements. To ensure the WesTrac pool of PEX are always in pristine condition we implemented an anti-corrosion preservation and packaging process. This process maintains our PEX free from contamination. WesTrac provides the market with an effective anti-corrosion packaging and transport solutions that enable customers to:

- **Protect:** from corrosion using designed shrink-wrap options, pre-made bags or films, providing protection from static and moisture.
- **Store:** For short to long-term periods, indoors or outdoors areas with 100% confidence.
- **Transport:** Ensuring customer components arrive at their destination in the same condition it was sent.

We transport our PEX in purpose built stands to ensure their protection during the journey to our customers.

BYRON BAIN – GERALDTON BRANCH – FIELD SERVICE MECHANIC


GASKETS
TO BE REMOVED
UPON DISASSEMBLY
IN STRIP DOWN
AREA ONLY
WesTrac
CAT

OPERATING AND FINANCIAL REVIEW

Financial performance

	Underlying trading performance(a)			Less: Significant items(b)			Statutory results (as reported)		
Year ended 30 June 2019 ($m)	**Cont.**	**Discont.**	**Total**	**Cont.**	**Discont.**	**Total**	**Cont.**	**Discont.**	**Total**
Revenue	4,084.0	–	4,084.0	–	–	–	4,084.0	–	4,084.0
Other income	53.5	–	53.5	–	–	–	53.5	–	53.5
Gain on conversion of convertible note	–	–	–	(28.9)	–	(28.9)	28.9	–	28.9
Share of results from equity accounted investees	210.2	–	210.2	230.4	–	230.4	(20.2)	–	(20.2)
Impairment of equity accounted investee	–	–	–	57.5	–	57.5	(57.5)	–	(57.5)
Expenses excluding depreciation and amortisation	(3,452.5)	–	(3,452.5)	–	–	–	(3,452.5)	–	(3,452.5)
Profit before depreciation, amortisation, net finance expense and tax	**895.2**	**–**	**895.2**	**259.0**	**–**	**259.0**	**636.2**	**–**	**636.2**
Depreciation and amortisation	(200.1)	–	(200.1)	–	–	–	(200.1)	–	(200.1)
Profit before net finance expense and income tax	**695.1**	**–**	**695.1**	**259.0**	**–**	**259.0**	**436.1**	**–**	**436.1**
Net finance expense	(102.8)	–	**(102.8)**	1.0	–	1.0	(103.8)	–	(103.8)
Profit before income tax	**592.3**	**–**	**592.3**	**260.0**	**–**	**260.0**	**332.3**	**–**	**332.3**
Income tax expense	(113.4)	–	(113.4)	(0.3)	–	(0.3)	(113.1)	–	(113.1)
Profit for the year	**478.9**	**–**	**478.9**	**259.7**	**–**	**259.7**	**219.2**	**–**	**219.2**
Year ended 30 June 2018 ($m)	**Cont**	**Discont.**	**Total**	**Cont**	**Discont.**	**Total**	**Cont.**	**Discont.**	**Total**
Revenue	3,207.9	189.9	3,397.8	–	–	–	3,207.9	189.9	3,397.8
Other income	65.1	2.3	67.4	(11.5)	–	(11.5)	76.6	2.3	78.9
Share of results from equity accounted investees	144.1	–	144.1	17.4	–	17.4	126.7	–	126.7
Revaluation of equity interest on acquisition of Coates Hire	–	–	–	(14.5)	–	(14.5)	14.5	–	14.5
Loss on sale of WesTrac China	–	–	–	5.3	–	5.3	(5.3)	–	(5.3)
Recycling of FCTR on sale of WesTrac China	–	–	–	(79.9)	–	(79.9)	79.9	–	79.9
Impairment reversal of equity accounted investees	–	–	–	(28.6)	–	(28.6)	28.6	–	28.6
Fair value movement of derivatives	–	–	–	(4.0)	–	(4.0)	4.0	–	4.0
Expenses excluding depreciation and amortisation	(2,774.4)	(174.2)	(2,948.6)	42.3	–	42.3	(2,816.7)	(174.2)	(2,990.9)
Profit before depreciation, amortisation, net finance costs and tax	**642.7**	**18.0**	**660.7**	**(73.5)**	**–**	**(73.5)**	**716.2**	**18.0**	**734.2**
Depreciation and amortisation	(145.8)	(0.8)	(146.6)	–	–	–	(145.8)	(0.8)	(146.6)
Profit before net finance expense and income tax	**496.9**	**17.2**	**514.1**	**(73.5)**	**–**	**(73.5)**	**570.4**	**17.2**	**587.6**
Net finance expense	(101.7)	(2.1)	(103.8)	–	–	–	(101.7)	(2.1)	(103.8)
Profit before income tax	**395.2**	**15.1**	**410.3**	**(73.5)**	**–**	**(73.5)**	**468.7**	**15.1**	**483.8**
Income tax expense	(73.3)	(4.7)	(78.0)	(9.8)	–	(9.8)	(63.5)	(4.7)	(68.2)
Profit for the year	**321.9**	**10.4**	**332.3**	**(83.3)**	**–**	**(83.3)**	**405.2**	**10.4**	**415.6**

(a) Underlying trading performance is comprised of reported results less significant items and is separately disclosed and reconciled to statutory performance to assist users in understanding the financial performance of the Group.

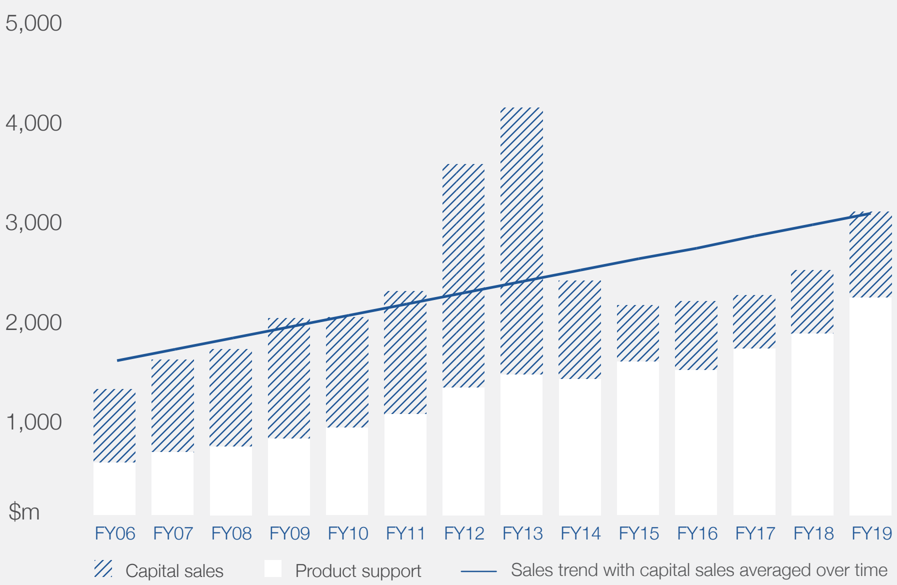
(b) Further detail regarding Significant items is contained in Note 3 of the Annual Report.

The Group has delivered underlying earnings before interest and taxation (EBIT) of $695.1 million for the year ended 30 June 2019. The FY19 earnings guidance provided in August 2018 indicated the Group would be up 25 per cent on FY18 underlying EBIT on a continuing operations basis.

Following a strong operating performance, the Group revised guidance in April 2019, forecasting the result to be up 40 per cent on FY18 underlying EBIT. The Group delivered on the revised guidance issued. The growth in earnings achieved in FY19 largely reflects the strength of the WesTrac result and the outperformance achieved by the Group's 28.6 per cent investment in Beach Energy.

The Group achieved a statutory net profit after tax (NPAT) for the year of $219.2 million, a $186.0 million reduction on the $405.2 million NPAT in the prior year on a continuing operations basis. The reduction in statutory NPAT largely reflects the impact of significant items against the Group's investment in Seven West Media, comprising a $57.5 million mark to market movement and the Group's share of their other significant items of $233.0 million.

WesTrac Trading Revenue



REVENUE AND OTHER INCOME

Revenue of $4,084.0 million was up $876.1 million or 27 per cent on the prior year with growth achieved across all operating businesses. Product sales improved $240.2 million or 35 per cent, primarily due to continued growth in demand for WesTrac's products on the back of favourable commodity price realisation and increased mining production, as well as a solid backlog of Government backed infrastructure projects.

Product support revenue grew $324.1 million or 17 per cent on the prior year, led by WesTrac parts sales which increased $207.6 million or 23 per cent on FY18 reflecting the continued trend of miners capturing efficiency gains with the support from WesTrac such as new installed and retrofitted autonomous technology.

WesTrac parts volumes continued its strong growth, with more than 6.4 million parts lines invoiced during the year, surpassing the previous record set in FY18.

Revenue from the hire of equipment of $962.3 million was 49.3 per cent higher than the statutory FY18 result. Growth in Coates Hire during the year was impacted by project delays and the benefit of the Commonwealth Games in the prior year.

Other income of $53.5 million was 30 per cent below the prior year. The decrease was predominantly due a $9.9 million or 34 per cent reduction in dividend income as the Group took the opportunity during the year to divest a portion of the investment portfolio.

Share of results from equity accounted investees decreased $146.9 million or 116 per cent on the prior year. This reduction is predominantly due to the Group's investment in Seven West Media which incurred a $182.4 million loss during the year. This was offset by the Group's investment in Beach Energy that contributed $161.0 million to the FY19 statutory result, up from $56.4 million in the prior year.

The Group's equity accounted share of Beach Energy was also higher as the Group increased its ownership in the year from 25.6 per cent to 28.6 per cent.

EXPENSES

Expenses excluding depreciation and amortisation of $3,452.5 million were up $635.8 million on the prior year in line with revenue growth.

Materials cost of inventory sold and used in product sales and product support increased 24 per cent to $2,083.1 million, consistent with growth in revenue from product sales and support during the year.

Group employee benefits expense increased 25 per cent from $630.9 million to $789.8 million.

The Group's equity incentive arrangements have been expanded to provide select senior executives within operating entities with equity incentives over a short and long-term. This more closely aligns executive incentive arrangements with shareholders.

The recognition of short-term incentives across all the Group's industrial services businesses, the first time since FY12, accounted for an increase in the employee benefits expense. The remaining increase is primarily attributable to higher headcount at WesTrac where total full time equivalent (FTE) employees were up 8 per cent. The year-on-year growth in employees was largely in chargeable staff, necessary to support the growth in operating activity.

Depreciation and amortisation expense increased $54.3 million compared to the prior year, primarily due to the impact of the Group consolidating a full 12-month result for Coates Hire in FY19.

NET FINANCE EXPENSE

Net finance expense was in line with FY18, which given the acquisition of Coates Hire in the prior year, reflects careful debt management. The Group also benefitted from lower financing arrangements from the convertible notes, refinancing of the syndicated facility, decrease in interest rates and some debt repayments made during the year.

INCOME TAX

The Group's statutory effective tax rate (ETR) for FY19 is 34.0 per cent against 13.5 per cent in the prior year and the corporate tax rate of 30.0 per cent. The low ETR in FY18 was predominately due to the non-taxable gain on the sale of WesTrac China, the receipt of franked dividends from the Group's listed investment portfolio and value of equity accounted investee profits included in EBIT which are not assessable to the SGH tax group.

The Group's FY19 ETR, high in comparison to the statutory corporate tax rate of 30.0 per cent, is predominantly due to the share of equity accounted investee results included in EBIT, and the receipt of franked dividends and non-assessable non-exempt income from the Group's listed and unlisted investment portfolio.

SIGNIFICANT ITEMS

The Group's statutory result for the year was impacted by unfavourable significant items of $259.7 million after tax. This was primarily related to the Group's share of significant items in Seven West Media of $290.5 million, offset by a fair value gain of $28.9 million on the conversion of the convertible notes. Significant items are excluded from the Group's underlying result for the year and are detailed in Note 3: Significant items.

CASH FLOW

Statutory operating cash flow for the year of $410.6 million is $157.5 million higher than FY18 supported by a 40 per cent increase in EBITDA lead by WesTrac and Coates Hire included for a full year. The Group achieved an underlying EBITDA-operating cash flow conversion of 59 per cent, partially impacted by the investment in parts inventory to support future revenue growth, particularly in the last quarter of the year.

Coates Hire's working capital was well managed throughout the year achieving a strong cash conversion after adjusting for Profit on Sale of Equipment.

Dividends from equity accounted investees remain low as a result of a suspension in dividends at Seven West Media and Beach Energy electing to preserve free cash flow for future investments. This was offset slightly by the three per cent step up in ownership in Beach Energy. Other dividends received decreased $10.7 million from the PCP, the movement predominantly due a reduction in dividends as a result of a partial divestment of the listed investment portfolio.

Net investing cash outflows of $188.9 million reduced $27.2 million compared to outflows of $216.1 million in FY18.

Net capital expenditure (including payments for purchase of intangible assets) increased $110.8 million, predominantly due to full year effect of net capex at Coates Hire.

The $111.4 million acquisition of equity accounted investees represented the three per cent acquisition in Beach Energy which was executed in November 2018. These investments were partially offset by the partial divestment of the investment portfolio. The prior year was also affected by the sale of WesTrac China for $535.3 million offset by the $487.9 million acquisition of Coates Hire.

Production, development and exploration expenditure was in line with FY18 with new drilling activity at Bivins Ranch limited to minimum lease commitments offset by increased capital contributions for Crux.

Net financing cash flows were $146.7 million higher than FY18 reflecting the adjustments to the share capital from the TELYS4 conversion and net debt repayments including a Tranche of USPP notes. The Company's ordinary dividends paid during the year increased $12.1 million, reflecting the slightly higher number of shares on issue as a result of the conversion of the TELYS4 shares to ordinary shares. However, there was an $11.0 million saving when taking the prior year TELYS4 dividends into account.

FINANCIAL POSITION

Trade and other receivables of $572.2 million remain relatively consistent with the prior year. The Group entities continued to work diligently in pursuing receivables and clearing aged debts. As 30 June 2019 was a Sunday, receivables were impacted as some larger customers held payment until 1 July 2019. WesTrac continues to improve on their debt days sales outstanding (DSO), improving by 3.7 days to 25.3 days.

Inventories increased by $103.2 million, or 12 per cent, as WesTrac continue to invest heavily into inventory to satisfy project future sales demand and the lengthy equipment lead times from CAT. This will enable WesTrac to continue to supply market leading service when providing product support.

Inventory turns at WesTrac WA increased to 3.6 times (2018: 3.3 times) while WesTrac NSW was down on the prior year at 3.0 times (2018: 3.3 times).

Assets held for sale remain consistent at $2.1 million reflecting hire fleet assets earmarked for disposal from Coates Hire.

Investments accounted for using the equity method increased two per cent to $1,086.6 million. The increase is largely attributable to strong operating results from Beach Energy, with the Group's share representing underlying EBIT of $158.5 million for the year. The Group also invested $111.4 million during the year to acquire a further three per cent investment in Beach Energy, enhancing the Group's exposure to the strong Australian East Coast gas market and further delivering on the Group's strategic investment.

AHS ENABLED 793F OPERATING AT RIO TINTO MARANDOO SITE

Offsetting this strong trading result was the impact of the Group's share of significant items of $290.5 million in the SWM investment.

Non-current other financial assets declined by $90.6 million for the year. The Group divested a portion of its investment portfolio through the disposal of listed shares, reinvesting the funds into the additional three per cent creep in Beach Energy. Mark-to-market movements in the portfolio investment of $44.7 million were recognised during the period along with a gain of $18.3 million following the divestment. These amounts remain in the fair value through other comprehensive income reserve consistent with the requirements of AASB 9: Financial Instruments.

Property, plant and equipment increased by $76.3 million. Approximately $250 million was invested into new rental fleet during the year to further invest in Coates Hire.

Producing and development assets, representing the Group's investment in Bivins Ranch and Longtom increased by $5.1 million to $227.3 million. The Group invested $1.7 million during the year to fund further drilling activity at the Bivins Ranch oil and gas field in Texas. However, much of the increase arose from foreign exchange movement on the carrying value of the Bivins Ranch which was favourably impacted by the closing AUD/USD foreign exchange rate at 30 June 2019. A corresponding increase in the Group's foreign currency translation reserve was recognised.

Exploration and evaluation assets of $226.9 million relate to the Group's 15 per cent interest in the Crux LNG development project in the Browse Basin which is operated by Shell Australia Pty Limited. The increase of $7.3 million reflects the Group's further investment in this Crux project. A clear pathway to market now exists for Crux, with a binding Head of Agreement for the processing of Crux through the Shell-operated Prelude FLNG vessel. In June 2019, Prelude was successfully commissioned and shipped its first cargo of LNG. It is now anticipated that the Final Investment Decision will take place in mid-2020, enabling the project to be ready for start-up by late 2024 to early 2025.

Intangible assets increased by $6.7 million to $1,624.4 million. Included within this growth was some minor acquisitions resulting in an additional $1.3 million in goodwill and $1.8 million in brand names. Expenditure of $7.9 million was also capitalised during the year on software development projects within Coates Hire.

Trade payables remain consistent with the prior year as the Group carefully managed funds. Deferred income grew for the year as the Group transitioned to AASB 15: Revenue from Contracts with Customers.

Total current and non-current interest-bearing loans and borrowings fell $65.0 million through careful debt management. The Group remains positioned well to take advantage of opportunities as they arise, with undrawn borrowing facilities of $838.0 million available. Further, the Group's financing structure was enhanced during the year with the successful refinance of the corporate syndicated facility. The two tranches provide a limit of $400.0 million until September 2021 and a second facility of $900.0 million until September 2023.

The convertible notes received shareholder approval at the AGM in November 2018, thereby converting the $60.6 million derivative liability at June 2018 into shareholder equity and recognising a fair value gain on the derivative of $28.9 million. This fair value gain has been disclosed as a significant item. The convertible notes are listed on the Singapore Exchange and carry a face value of $350.0 million and a coupon rate of 2.2 per cent.

This further diversifies the Group's funding sources.

Contributed equity increased by $24.8 million as a result of the convertible notes, offset by an investment of $9.1 million in treasury shares which will be used to satisfy future executive share plan obligations. In September 2018, the Company received shareholder approval to convert the TELYS4 shares into ordinary shares at a rate of 4.60645 ordinary shares per TELYS4. The TELYS4 shares were suspended from quotation on 28 September 2018.

NET DEBT AND CAPITAL MANAGEMENT

Net debt reduced by $38.5 million at 30 June 2019 to $1,997.6 million from $2,036.1 million in FY18. Major cash outflows during the period included the three per cent acquisition in Beach Energy of $111.4 million and net capex within Coates Hire and WesTrac representing $250.4 million. These major cash outflows were offset by the Group's net operating cash flow totalling $410.6 million and by net proceeds received from divestment of the listed investment portfolio.

As at 30 June 2019, the Group had cash and available undrawn debt facilities totaling $916.1 million, up from $515.6 million in the prior year. Furthermore, approximately 52 per cent (FY18: 47 per cent) of the Group's drawn debt is fixed with the overall effective borrowing cost for the Group being 4.5 per cent, while weighted average facility maturity is 3.6 years and average drawn debt maturity is 4.2 years.

The Group's listed portfolio considered to be a source of liquidity reduced by $132.8 million to $196.4 million as at 30 June 2019 due to a partial sell down of the portfolio.

Whilst the Group does not disclose a formal dividend policy, decisions regarding future dividend payout ratios and franking levels are made with reference to the Group's medium-term underlying profitability, Australian tax payable position, total number of ordinary shares on issue and alternative investment opportunities available.
Within these constraints, the Group aims to maintain dividends per share through the cycle with a view to increasing the dividend over the long-term.

OUTLOOK AND FUTURE PROSPECTS

SGH has retained its balance sheet strength with reported net debt now below $2 billion and adjusted net debt approaching $1.2 billion after adjusting for the mark-to-market of hedging derivatives and the market value of listed investments. This positions SGH to secure the next wave of growth for the company through reinvestment in existing businesses and new opportunities to expand. The Industrial services and Energy businesses are well positioned for further growth, as they continue to benefit from the strong medium to long term outlook for mining production, infrastructure investment, and domestic energy.

Considering the above factors, the Group anticipates FY20 underlying EBIT growth to be in the mid to high single digits against FY19 underlying EBIT including the impact of accounting under AASB 16: Leases, subject to there being no material adverse changes in trading conditions.

JANINA LEE, APPRENTICE PLANT MECHANIC, GUILDFORD


MAINHOIST: SWL 900t / 31.5m (360° SLEWING)
SWL 1100t / 26.5m (360° SLEWING)
SWL 1300t / 22.5m (360° SLEWING)
SWL 1500t / 20m (360° SLEWING)
SWL 900t / 34.5m (PS ONLY)
SWL 1100t / 29m (PS ONLY)
SWL 1300t / 25m (PS ONLY)
SWL 1500t / 21.5m (PS ONLY)
Huisma
JUMBO
JLG
coateshire 13 15 52

MEWP OPERATING AT PORT KEMBLA, NSW

LEADING THE WAY, SAFETY

Not only are Coates Hire the owner of the largest Mobile Elevating Work Platforms (MEWPs) Fleet in Australia, they are leading the way in MEWP safety. Coates were early adopters of operator safety systems (known as Secondary Guarding) designed to minimise the risk of operators being crushed in boom lifts and have now installed the systems on the entire fleet of 2,600 booms. The early commitment by Coates Hire to install these systems has resulted in manufacturers now providing operator protective systems as standard equipment on all boom lifts sold worldwide.

Coates also continues to work with manufacturers, industry associations, Australian and International Standards and is a leading voice on improving operator training, standardisation of controls and the development of operator protective systems on scissor lifts.

RISK FACTORS ASSOCIATED WITH SGH

The business activities of SGH are subject to various risk factors that may impact on the future performance and position of the Group.

↑55%

Record full year production of 29.4 MMboe

These risks are both specific to the Group's activities as well as general commercial and economic risks. Such risks may, either individually or in combination, affect the future operating and financial performance of the Group and the value of SGH shares.

Risk Management Framework

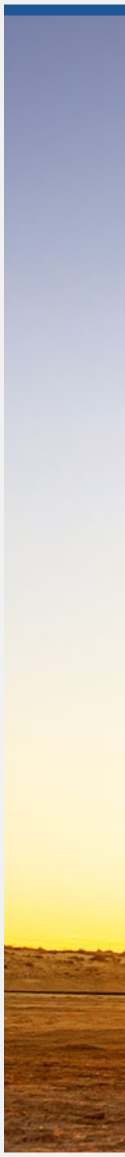
The Board has established a risk management framework to actively identify, monitor and manage risks across the Group. The framework is administered by the Audit & Risk Committee, which is responsible for assisting the Board to identify and manage financial and non-financial risks.

The Committee's responsibilities are set out under "Principal 7 – Recognise and Manage Risk" in the Corporate Governance Statement.

The Committee maintains a Strategic Risk Assessment register, established in collaboration with subject matter experts throughout the Group's businesses who identify and assess the risk factors. The Committee evaluates the potential impact and likelihood of each risk occurring and ranks these accordingly. Risk controls including policies and procedures are established for each risk factor, and the responsibility to manage, monitor and report these risks is delegated to the CEOs of each business and appropriately skilled senior management. External advisors are used to assist in this process where required.

The composition of the Board has been specifically considered to ensure that relevant expertise is represented at the Board having regard to the Group's material risks. Page 66 sets out the relevant skills matrix.

Risks that are identified as material to the Group are summarised below. This information should not be regarded as an exhaustive list of all risks that affect the Group, furthermore, the items have not been prioritised.



Material Business Risk

Commodity Price Risk

The prices of oil and natural gas can be volatile as a result of many factors outside of the Group's control, including global supply and demand, the level of economic activity in the markets that its energy investments supply, regional political developments and military conflicts in oil and gas producing regions, the price and availability of new technology and the cost of alternative sources of energy. A material and/or prolonged decline in the realised prices of oil and gas may have a material adverse impact on the financial results and future prospects of the Group and/or the ability to fund future exploration, appraisal and development activities.

Beach Energy may be exposed to movements in gas prices as its existing gas sales agreements expire or undergo price review events and are recontracted at prevailing market prices.

Government legislation and policy in the energy sector, including gas reservation, hydraulic fracking restrictions and environmental requirements, may impact the supply of oil and gas in Australian domestic markets and therefore prices in those markets.

The Group is indirectly exposed to adverse movements in the prices of iron ore, gold, copper, thermal coal and other commodities through customers that operate in these sectors. The profitability of these customers is a driver of the level of demand for the equipment, parts and service that is supplied by WesTrac, Coates Hire and AllightSykes.

Competition

The markets in which the Group's industrial services businesses operate are highly competitive. Customers have alternative sources of supply, therefore requiring competitive pricing and high customer service levels to retain market share. An increase in competition could result in a loss of market share or decrease in prices that could impact the Group's profitability.

Seven West Media competes for audience share and advertising revenues with all forms of media such as free-to-air television, newspapers, magazines, radio, outdoor advertising, pay television, direct mail, cinema and the internet. The Australian media industry is highly concentrated and competitive, with a number of operators competing for market share and advertising revenue through the same or alternative products. The actions of an existing competitor, the entry of new competitors into the market, and the introduction of new forms of media, may result in audience fragmentation in television and/or a reduction in magazine and newspaper readership, resulting in advertising revenue declines and lower profitability for Seven West Media. Media reform may provide an opportunity to mitigate these factors.

The demand for oil, gas and other products of the SGH's energy assets may be adversely affected by competition from alternative sources of oil or gas, competition from other sources of energy supply, technological developments in energy efficiency, changes in consumer behaviour, policy shifts towards lower carbon emissions, changes to competition policy and a large number of other factors outside of the Group's control.

Customer Default

WesTrac and Coates Hire have large and diversified customer bases and are not reliant on any single customer. However, there is the risk that customers may default due to bankruptcy or other reasons. A customer's termination of, or default under, a contract with WesTrac or Coates Hire, could result in a loss of expected revenues from the sale or rental of equipment and the provision of parts and maintenance, or create legal expenses, thereby impacting the Group's financial and operational results.

Customer Demand in Mining and Construction Industries

WesTrac and Coates Hire's customers mainly operate in mining and construction. Demand for products and services in these industries is driven by the volume of earth and material moved. This is in turn driven by demand for commodities, stripping ratios in mining, demand for construction materials and the number and scale of infrastructure projects. Any material adverse change in these conditions may negatively impact the financial position and operational results of WesTrac and Coates Hire.

ALLIGHTSYKES MINESPEC LED LIGHTING TOWERS, RIO TINTO'S OPERATION PLANT, HOPE DOWNS, PILBARA, WA

Government Policy

Changes in government, policies, taxation and other laws can have a significant influence on the outlook for the Group. In this regard, the Group has a strong exposure to both infrastructure and natural resources policy. In Australia, natural resources are regulated by State and Federal Governments in relation to exploration, development, production, exports, taxes and royalties, labour standards, occupational health, waste disposal, protection and rehabilitation of the environment, mine reclamation, mine safety, toxic and radioactive substances, native title and a range of other matters. In regards to the infrastructure industry, the Group is exposed to a variety of factors that may adversely affect its businesses or operations, regulation by various governmental authorities; service interruption due to environmental, operational or other mishaps; the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards; and general changes in market sentiment towards infrastructure assets.

Equity Market Risk

The Group's listed and unlisted investments are subject to price, liquidity and other risks associated with any investment in such assets, including the risk that distributions paid to shareholders will be reduced.

The Group's financial performance may be impacted by fluctuations in the value of its listed and unlisted investments due to numerous factors. These include changes in Australian and international stock markets and investor sentiment, domestic and world economic conditions and outlook, consumer and business sentiments, occupancy rates, inflation rates, interest rates, employment and taxation legislation and other changes to government policy, legislation or regulation.

Exploration and Production Risk

Oil and gas reserves and resources are finite and are depleted on an ongoing basis through production, with replacement only possible through the discovery of new resources through successful exploration or the acquisition of resources. Exploration for hydrocarbons is inherently risky and subject to geological interpretations and technological uncertainties. Inadequate exploration success could result in declining reserves and resources.

The Group, through a subsidiary, holds production rights to a number of offshore oil and gas fields. Any oil or gas project may be exposed to production decline or stoppage, which may be the result of facility shut-downs, mechanical or technical failure, climate-related events and other unforeseeable events. A significant failure to maintain production could result in lower production forecasts, loss of revenue and additional operational costs to restore production.

Free Float

The Group is controlled by a majority shareholder and, as a result, has a limited free float which typically results in lower average daily trading volumes. This can lead to greater volatility in the price of SGH shares. It is noted that the free float is within the limits required for inclusion in the S&P/ASX market indices.

Foreign Exchange Risk

WesTrac is exposed to foreign exchange risk through the purchase of equipment and inventory denominated in US Dollars. As part of its pricing of equipment globally, CAT generally resets pricing annually for mining equipment and parts which is denominated in US Dollars. Movements in the pricing of equipment impacts WesTrac's cost of machines and may also affect the overall profit earned on the sale of equipment to customers which may be denominated in either Australian Dollars, US Dollars or both.

Fluctuations in the AUD/USD exchange rate could have an adverse impact on WesTrac's business, financial condition and results of operations which are reported in Australian Dollars.

The revenue generated from the Group's energy assets is partly denominated in US Dollars. The Group does not hedge the expected revenues from these activities, resulting in the risk of lower earnings for the Group upon conversion to Australian Dollars if there has been an adverse movement in the exchange rate.

The Group's investment in US energy assets has not been hedged given the indeterminable duration of the investment horizon, exposing the Group to foreign exchange risk.

Funding and Liquidity Risk

SGH and its subsidiaries will need to refinance debt facilities as they mature over time. The inability to negotiate new debt facilities at similar quantum and pricing to existing debt facilities may adversely impact the performance of the Group.

Liquidity risk arises from the possibility that the Group may not be able to settle or meet its obligations as they fall due. The Group manages this risk by maintaining sufficient cash balances, liquid securities and undrawn bank facilities from a variety of lenders to ensure these obligations can be met. The Group also has policies in place to ensure that exposure to counterparty credit risk is mitigated.

Interest Rate Risk

The Group is exposed to the risk of an increase in net interest costs through the impact of adverse changes in market interest rates on the cost of debt. The Group's policy is to hedge a portion of this risk by utilising a mixture of fixed and floating rate debt facilities and through the use of derivatives including interest rate swaps and options.

Investment Risk

The financial performance of the Group will be affected by the identification and availability of investment opportunities in the future. These opportunities are subject to market conditions and other factors largely outside of the control of the Group. The Group's ability to divest its investments will also be subject to these factors.

SGH holds minority interests in a number of listed companies, including Seven West Media, Beach Energy, Telstra Corporation and Estia Health, as well as investments in unlisted offshore media funds and direct and indirect property assets. Where the ability to exert control over an investee is limited, the return on investment to the Group may be subject to the operational control of other parties and their ability to manage the risk factors relevant to the investee.

The Group may be exposed to the risk that a minority shareholding cannot be easily or profitably divested as a result of fluctuations in the investment's value or the liquidity in the market for such investments.

The future development of SGH's energy assets is subject to the decision making of controlling and operating partners in relation to factors such as access to processing infrastructure, approval of drilling programs and finalisation of development concepts. Development timetables could be deferred, impacting the recoverable value of the Group's energy assets.

Labour Force Risk

A growing global shortage of suitably qualified and experienced technicians and operational staff could impact the ability of WesTrac or Coates Hire to achieve their operational objectives and also result in an increase in operational costs through higher salaries required to attract and retain staff.

Supply Chain Risk

WesTrac is dependent on CAT for the timely supply of equipment and parts from their global manufacturing facilities and distribution warehouses. During periods of high demand or in the event of disruption to CAT's business there may be delays in the supply of equipment and parts to WesTrac. This has not in the past proven to be an impediment to WesTrac.

WesTrac is also dependent on CAT to maintain product development and innovation to ensure that it has a quality product offering for its customers.

WesTrac's position as the authorised dealer of CAT equipment and parts in its WA and NSW/ACT territories is subject to the terms of dealer agreements with CAT. The dealer agreements are not exclusive and can be terminated by either party upon 90 days' notice at any time and contain provisions for automatic or accelerated termination in circumstances including material breach, insolvency and changes in control without CAT consent.

The Group's energy assets and investments rely on access to infrastructure on commercially acceptable terms in order to supply oil and gas production to customers. Failure to secure and maintain access to infrastructure on such terms, or events that result in a significant disruption to access, could result in the loss of revenue, loss of investment income or require additional costs to restore or find alternative access.

Taxation

The Group may be subject to reviews by taxation authorities from time to time in the ordinary course of business. These reviews may result in the taxation authorities taking a different view on the tax treatment of particular transactions from that of the Group, which could lead to additional tax liabilities.

Workplace Safety and Security

Employee safety is a fundamental principle in all the Group's activities. However, the nature of the Group's operations involves a variety of risks which could result in accidents or environmental incidents, causing injuries or loss of life for its workforce and the public, and could result in regulatory action, legal liability and damage to the Group's reputation.

The Group has sought to mitigate these risks by assessing, understanding and mitigating the risk factors in each of its operating businesses by implementing Life Saving Rules which provide direction and guidance on these critical risks.

The Group is committed to providing a safe workplace and maintains comprehensive workplace safety policies and systems which are overseen by health and safety specialists within the human resources departments and dedicated risk, safety and security teams within each business. Procedures relating to security at the Group's business sites are prioritised and are subject to review and continuous improvement.

Changes to chain of responsibility legislation also extends the Group's obligations beyond existing operations to contractors and potentially their sub-contractors over whom the Group has less control.

SGH IS CREATING A **SUSTAINABLE BUSINESS FOR THE FUTURE**

The Group is focused on empowering all of its businesses to remain sustainable into the future and deliver positive outcomes for customers, shareholders and the broader community.

This section outlines the Group's practices in relation to the environment, human capital management and social responsibility, principally in relation to SGH's predominant operating businesses, WesTrac, Coates Hire and AllightSykes, as well as safety and environmental practices relating to SGH Energy.

The Group's sustainability focus in the FY19 reporting period has been marked by culture and safety transformation programs within WesTrac and Coates Hire.

Under its risk framework, the Group has identified investment, financial and operational risks which it manages and mitigates. More details concerning these risks are located on pages 34 to 37. The Group's sustainable business practices are set out on pages 46 to 51.

For more information on the Group's risk management framework refer to Principle 7 – Recognise and Manage Risk of the Corporate Governance Statement.

WESTRAC – HUMAN CAPITAL

WesTrac is committed to maintaining high standards of both technical excellence and care when it comes to employee safety, environmental management and quality control. WesTrac also understands and values the importance of employee engagement, retention and development and is investing heavily to ensure its workforce has the necessary skills and tools it requires to be successful. Sustainability begins within WesTrac's own operations.

Safety Cultural Transformation Program – Built By Us

In late 2017, following several years of strong improvements in WesTrac's safety performance, the business identified the need for a transformational shift in the behaviours and attitudes of its team members if it was to realise its goal of zero harm. Following a program of discovery designed to gather feedback from employees across the organisation, the business launched a safety cultural transformation program designed to identify and embed positive leadership behaviour to support the business in reaching its safety goals.

While the program of work was originally intended to deliver better safety outcomes, extensive consultation with team members made it clear that, for WesTrac to improve safety performance, it needed to focus on a much wider set of contributing factors including team member engagement, productivity and the values on display across the organisation. Taking this feedback into consideration, WesTrac defined a new ethos for the business, a culture 'Built By Us', which is underpinned by the business' five core values of safety, pride, accountability, respect and customer.

Built By Us was designed to create an environment where people enjoy coming to work and feel that their contribution is valued and recognised by all. The program asks team members to take accountability for their own actions and their role in developing and sustaining the culture at WesTrac – and so far, the results have been positive. The objective is to make WesTrac a safer, more productive, more enjoyable place to work with a focus on customer experience. To do this, the program seeks to influence workplace behaviour and attitudes, resulting in better safety performance and improved engagement.

Built By Us - Program Snapshot

- Every team member, regardless of their role in the business, participated in the Built By Us Program;
- Leaders undertake a comprehensive five-phase program, with team members completing a three-phase program supported by their managers;
- 533 leaders enrolled into Built By Us;
- Over 3,000 team members enrolled into Built By Us;
- 55 leader workshops have been held;
- 258 team member workshops scheduled;
- Metro and regional based learning hubs were created to provide a bespoke learning experience; and
- Strong executive leadership support, with executive leaders attending each session as a host and checking in with team members following their learning session.

To support a stronger and more inclusive culture, Built By Us was designed to be delivered in two streams – one for leaders and one for team members. The leader-based program focuses on how leaders impact culture and safety and how it can improve their leadership skills and style to engage their teams through building trust, communicating effectively and managing change. The team member program focused on how team members can work with their leaders to support cultural change and how their actions may impact others.

Whilst 2019 marked the commencement of the cultural transformation, WesTrac will continue the Built By Us program to foster sustainable cultural change to attract, retain and develop potential and current team members within a culture that is safe, productive, enjoyable and customer focussed.

Safety, Health and Wellbeing Overview

As a core part of the Built By Us culture, WesTrac committed to growing a safe and engaged culture through strong safety leadership, genuine engagement with the workforce and other stakeholders, and a continual focus throughout the organisation on managing risks and aligning behaviours to our values.

Life Saving Commitments

As part of Built By Us, WesTrac has made a change from Life Saving Rules to a model of Life Saving Commitments. Whilst always focusing on the critical risks and controls, WesTrac has actively listened to the workforce and has heard that rules can be viewed as a top down and potentially punitive system. Commitments express an emotional connection and links to the hearts and minds of WesTrac employees.

WesTrac conducted a relaunch of the commitments following a successful video competition where every team member was given the opportunity to create a short video that demonstrates one of the commitments. These videos included family, pets, friends or nature and formed part of the ongoing strategy.

Safety Performance

This year WesTrac reduced the Total Recordable Injury Frequency Rate (TRIFR) from 10.4 last year to 9.0; a reduction of 13 per cent. Over the same period the Lost Time Injury Frequency Rate (LTIFR) has reduced to 1.1. The lag indicators demonstrate a continued effort towards a reduction in harm through a number of initiatives including: renewed focus on training of staff and supervisors to increase ownership; partnering with the Macquarie University Physiotherapy department to reduce musculoskeletal risks; continued promotion of early reporting and expansion of an Early Intervention program; and a number of projects to remove or reduce the need to place employees at risk of injury through the introduction of new tools or safer working methods. As WesTrac looks to the future, the focus will continue to be on increasing the capability of frontline leaders, revitalising focus on quality risk assessments and incident investigations to improve organisational learning and simplifying processes to support staff.

	2019	2018	2017
WesTrac TRIFR	**9.0**	10.4	9.0
WesTrac LTIFR	**1.1**	1.7	1.2

Health and Environment Monitoring

WesTrac continues to prioritise the health and wellbeing of its workers and the communities in which it operates. During the past year, testing has been undertaken to measure airborne diesel and welding process particulates to ensure they remain within acceptable limits. The results have validated the effectiveness of current controls and WesTrac will also continue to investigate additional controls to further reduce any risk of harm. WesTrac conducts regular noise level monitoring, which is important not only to the long-term health of staff but also the comfort and amenity of the communities that employees live and work in.

NAPHTALY JERE – KALGOORLIE KCGM – PLANT MECHANIC

Digital Innovation – Introducing OnTrac

Innovations in technology enable WesTrac to create new and improved experiences for employees and customers while modernising processes to free up resources for more strategic investments in the business. WesTrac is proud to have delivered a major transformation to health and safety reporting systems through the introduction of one standardised online platform, which replaces several previous electronic and manual processes.

The platform, named OnTrac, has allowed WesTrac to simplify safety systems, manage contractors, evaluate risk, track actions and deliver improvements. Introduced in February 2019, the system is now being used by over 3,700 active users, allowing staff to easily log hazards and manage safety incidents and actions on the go. The system facilitates contractor management, provides a library of job hazard analysis and permits to work, incorporates an online and mobile auditing system, and provides a location to record incidents, hazards and corrective actions. The system allows employees to access a mobile application, meaning they can report real-time hazards, incidents and safe behaviour interactions in a quick and efficient manner, both on and offline, allowing employees to focus more time on delivering exceptional service to customers and supporting WesTrac's vision to be the customers' first choice in equipment solutions.

The scale of the system is best demonstrated by the fact that since implementation, more than 50 per cent of all audits and checklists have been completed online utilising the mobile application, saving employees time and enabling them to focus on safely performing their work. The system has also enabled employees to complete thousands of Safety Interactions allowing supervisors to commend safe behaviours and mitigate potentially unsafe behaviours. The size of the database also allows WesTrac to prioritise key safety messages by analysing trends and identifying potential hazards. OnTrac enables early identification, assessment and control of risks and hazards to prevent injury.

WESTRAC – ENVIRONMENT AND SUSTAINABILITY

WesTrac recognises that we all have a significant responsibility to protect the natural environment for the benefit of this and future generations. Its goal is to minimise the impact business activities have on the environment around us, while balancing the economic and social needs of sustainable development.

WesTrac has a focus on sustainability that works in concert with Caterpillar in that the focus remains to invest in sustainable solutions that enhance communities and protect the planet whilst leading to outstanding business performance. Caterpillar's sustainable impact can be felt at the dealership level with WesTrac, through Caterpillar's remanufacturing and rebuilding businesses, which increase the lifespan of equipment, reusing instead of discarding components, reducing waste and keeping non-renewable resources in circulation for multiple lifetimes. For example, in 2018 Caterpillar received more than 150 million pounds of end-of-life material for remanufacturing. In the services space, Cat MineStar is an example of a suite of digital technologies that collect, organise and analyse a myriad of data points to help machines run more efficiently, reduce emissions and extend the life of Caterpillar products sold through WesTrac.

Quality Management

WesTrac maintains accreditation to ISO 9001 Quality Management Systems at the large majority of its business sites, including all of Western Australia and three locations in New South Wales. This entails annual audits of the company's commitment to quality systems and adherence to processes that ensure the expectations of customers and other stakeholders are met.

Environmental Reporting and Audits

Tomago Facility – Annual Environmental Monitoring Report

The WesTrac facility, in Tomago, New South Wales, which was built in 2012 and is comprised of 12 major purpose-built facilities across a 23-hectare site, has an obligation to provide an Annual Environmental Monitoring Report (AEMR) to confirm the ongoing compliance of WesTrac's operations. The document is lodged with the Department of Planning with the most recent AEMR submitted in June 2019.

The major requirements of the AEMR include monitoring of water quality, downstream vegetation and water quantities for potential impacts and comparison to those levels predicted in the environmental assessment. Minor requirements include ongoing environmental incident reporting. WesTrac has several control layers in place and is committed to maintaining a high level of compliance throughout operations via good maintenance and management practices. As a testament to our ongoing commitment and focus on environmental sustainability, every AEMR has been accepted by the Department of Planning as satisfactory since inception of operations in July 2012.

Ongoing Innovation

WesTrac is committed to continuously improve systems to promote environmental management. As a pillar to this commitment, WesTrac is enhancing environmental governance through the introduction of an Environmental Management System to support the Environmental Management Policy which aligns to ISO 14001: Environmental Management Systems, the Environmental Protection Act 1986 (WA) and the Protection of the Environment Operations Act 1997 (NSW).

Further expanding WesTrac's new Hazard and Incident Reporting system, OnTrac, WesTrac's safety team is currently working on introducing three new modules to the business focused on identifying, assessing and controlling environmental impacts in a consistent and systematic approach as well as collecting and storing key environmental metrics. Tracking and monitoring environmental data will be a key step in proactively understanding usage patterns and establishing processes to manage this more efficiently. The new modules will also enable WesTrac to effectively track and audit environmental risks to provide a better view of the implications of the business on the environment and mitigate any unacceptable levels of risk. Through this advancement, WesTrac will be able to demonstrate that environmental impacts are being measured and continually revise and improve activities and controls for enhanced environmental performance.

NAOMI OLIVER, STORE PERSON, BUNBURY BRANCH

Reducing Landfill Year on Year

WesTrac is committed to supporting the health of our communities through the reduction of environmental impacts by harnessing the value of materials disposed of and returning them to productive use. WesTrac has commenced a program that aims to reduce the amount of waste sent to landfill from all parts of the business.

Over the 2019 financial year, WesTrac removed the equivalent of 1,199 T of CO_2 per year and saved 7,296,000 kWh/year and 107,368 L of water per day.

WesTrac has successfully introduced centralised waste, paper and recycling bins in its Tomago and South Guildford offices and cafeterias. The bins are conveniently located, with this simple change helping reduce the environmental impact and assist in achieving a sustainable future. Recycled paper and cardboard will be used to make packaging, industrial paper, tissues, newspapers, insulations, and moulded cartons for eggs and fruit. At the same time, WesTrac are working with vendors and suppliers to reduce the amount of unnecessary packaging in the supply chain.

Lighting Efficiency

WesTrac has invested over $1 million in a project to replace approximately 4,500 fluorescent tubes with LED lights between WA and NSW facilities, leading to an annual reduction in power consumption of four million kWh, or a continuous average energy savings of 715kW. In addition to saving energy, the investment will see a reduction in electricity bills of $700,000 a year.

Contamination Control

Environmental risks relating to the use or storage of hazardous materials are identified and managed through regular inspections of business premises, reviews of compliance and emergency procedures, and advice from external consultants and government agencies on environmental matters. Internal firefighting capabilities and equipment are regularly tested and emergency arrangements with key external response agencies have been established.

WESTRAC – SOCIAL

Wellbeing at Work

WesTrac is committed to having an engaged workforce that is physically and mentally safe and healthy. As part of this commitment, WesTrac operates WA and NSW Health and Wellness Committees, the purpose of which is to promote the importance of physical, mental and social wellbeing across WesTrac and to develop and implement programs which are designed to create a healthier, more harmonious, inclusive and supportive working environment for WesTrac employees.

As part of a comprehensive wellbeing program, WesTrac offers all employees and their family's access to a free employee assistance program (EAP) which provides proactive and preventative counselling to improve personal wellbeing. In addition to this, in the last year over 500 of our employees attended Mental Health awareness training to equip them with skills to better support their mates in crisis. Looking forward, mental wellbeing will continue to play an important part of WesTrac's Wellness strategy.

Community Engagement

For social wellbeing, the committees regularly promote and encourage employees to participate in events for organisations such as Telethon, the NSW Rescue Helicopter service, Movember, R U OK? Day, The Red Cross, White Ribbon and Pink Ribbon day. As well as contributing to a variety of community-based charities and organisations throughout the year, WesTrac participates in a number of charity fundraisers each year by sponsoring teams or providing financial donations to events such as Telethon, The Bloody Long Walk, Oxfam Trailwalker, MACA Cancer 200 and City to Surf.

Bloody Long Walk for Mitochondrial disease

The team from WesTrac NSW turned out in force at The Bloody Long Walk to raise funds and help find a cure for mitochondrial disease, a debilitating genetic dis-order that robs the body's cells of energy, causing multiple organ dysfunction or failure and potentially death.

Telethon

WesTrac's employees donate their time each year to support Telethon by working in the Telethon call centre. Additionally, WesTrac provides financial and experience contributions.

COATES HIRE – HUMAN CAPITAL

Culture and Safety Program – Du Pont Partnership

Coates Hire operates in sectors with high incidences of workplace injury. To mitigate this risk to its workforce, Coates Hire set-out three years ago to build a safety culture in which expert education, a safety-focused workforce and reinforcement from trained managers would drive better safety behaviour and improve safety and injury outcomes. Coates Hire implemented a new workplace safety program for the company, based on culture and personal responsibility rather than simply compliance. This was done in partnership with the Du Pont organisation, known for industrial safety training. This program encouraged safety 'engagement' among every Coates Hire employee and contractor, with the knowledge that improved competencies, confidence and engagement means that safety is owned, front of mind and results in fewer injuries.

The program entailed training workshops for regional and branch managers and other key leaders in the organisation, to equip site and team leaders to drive safety protocols and habits. The result of the program was that every Coates Hire meeting starts with a 'safety moment' and all employees know how to do a 'Take 5' before they start a job. Coates Hire branches reviewed the risk mitigation around safety zones that are formed when loading and unloading vehicles and spotters are trained to control vehicle movements.

The first full year of the safety program showed a 48 per cent improvement across injury-rate measurements at Coates Hire, underlying the success of the 'personal responsibility' approach.

Coates Hire has taken this safety momentum, with such great effect, to develop a risk and behaviour culture based on 'commitment' rather than a model of 'compliance'. The renewed push in FY19 has entailed further training of leaders to be safety leaders, including in root cause analysis of injuries and a focus on felt leadership, to bring the entire Coates Hire workforce into a safety 'interdependence' model, where employees understand that a safe workplace is owed by everyone individually.

Safety, Health & Wellbeing

Coates Hire is focused on creating workplaces that are both injury and incident free by educating and empowering leadership and developing and embedding easy-to-use processes that enable the recognition and effective management of risk.

Safety Leadership

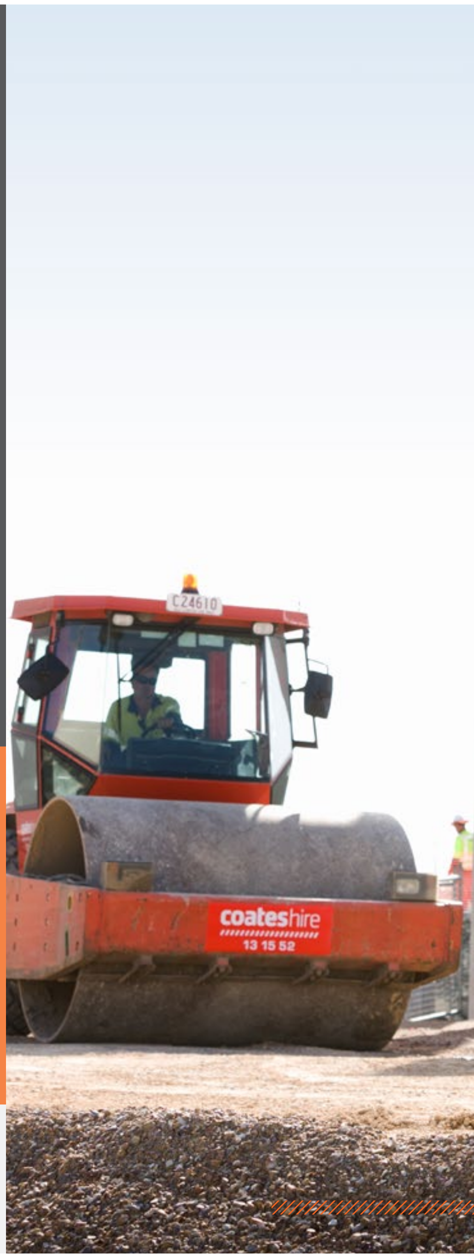
Current initiatives and programs that encourage, empower and support Coates Hire's people to make their workplaces safer include:

- **Launch of the Big 5 initiative on Workplace:** an online business collaboration tool, encouraging employees to share their five reasons or motivations to stay safe and injury free.
- **Workplace Inspections and Safety Action Meetings:** the principal tool for Branch Managers to review hazards with their teams and to foster collaborative solutions to remove risk. Lead indicator actions are recorded in B-Safe, Coates Hire's incident management and contractor management system.
- **Risk Reviews:** enable and empower Regional Managers to review identified critical hazards and apply identified controls to mitigate risk and reinforce the importance of risk management. The completion and actions of risk reviews are recorded in B-Safe for measurement and continuous improvement.

Systems and Risk Management

In FY19, Coates Hire's Health, Safety, Environment and Quality (HSEQ) team reviewed and improved the HSEQ system to make it easier to understand and use. Document complexity was reduced, and content refined to make it practical, helpful and user friendly while ensuring it is compliant with legalisation, codes and standards.

Coates Hire's Employee Assistance Program (EAP) provides confidential counselling services to all employees and their immediate family members to support their wellbeing. Managers are given support through access to a telephone hotline that they can use to help them manage issues that may occur in the workplace.



Injury Reporting

Coates Hire's Total Recordable Injury Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) improved in comparison to FY18.

	2019	2018	2017
Coates Hire TRIFR	**12.8**	19.6	21.3
Coates Hire LTIFR	**1.6**	2.3	1.7

Training

Coates Hire's Registered Training Organisation (RTO – National provider 1402) is an industry leader in bespoke and contextualised 'hard skills' plant, equipment and situational course offerings.

The RTO's operations cover a broad training spectrum from safety and competency to inductions and apprentices. In FY19 it issued 3,917 units of competency to 4,187 people. The three most popular courses were Elevated Work Platforms (Yellow Card) (15 per cent), Confined Spaces (10 per cent) and elevated Work Safely at Heights (7 per cent) and 595 Verifications of competency were issued.

Since its establishment in 1996, the RTO has successfully trained and certified more than 80,000 participants.

SMOOTH DRUM ROLLER AT PORT CONNECT PROJECT, BRISBANE, QLD

MARTINE BRIERS, COATES HIRE GROUP MANAGER HSEQ

COATES HIRE – ENVIRONMENT AND SUSTAINABILITY

Coates Hire is committed to be a market leader promoting environmentally sustainable practices by supporting customers and working with suppliers to achieve excellence in environmental practices and management. Through innovation, increased recycling, reduction of waste, and continuous improvement, Coates Hire aims to make a positive contribution to natural environments and is consistently demonstrating sustainable practices in environmental management, aimed at minimisation of environmental risk and impact to clients and community stakeholders.

Coates Hire's HSEQ team operates across five major locations (Mascot, Moorebank, Meadowbrook, Dandenong and Belmont) which are certified to the following standards:

- ISO9001:2015 (Quality Management System)
- AS/NZS4801:2001 and OHSAS18001:2007 (Safety Management System)
- ISO14001:2015 (Environmental Management System)

In FY19, Coates Hire achieved accreditation to the new ISO 9001 Quality Management Systems in the major head offices and attached branches as well as the corporate office. Annual audits are conducted by a third-party provider to help identify continuous improvement opportunities and ensure that the company's systems and practices continue to conform to standards.

Coates Hire aims to be a market leader promoting environmentally sustainable practices and is committed to protect the environment and prevent pollution.

Actions taken in FY19 include replacing metal halide lights with LED lights, initially piloted at three sites (Erskine Park, Albert Park, and Dandenong) and now completed at all Sydney metro sites which have been converted to high efficiency LED lighting. This initiative reduces the electricity used for lighting across our business and makes our branches safer places to work. The transition of light towers to LED lights started in previous years and is driven by best practice product offering and customer demand.

Waste

Coates Hire has engaged its waste management provider to review its national waste data. Monthly reports displaying key waste metrics such as recycling rate, waste type breakdown, monthly/annual comparisons have been provided and will allow us to set informed targets and implement long-term waste management initiatives. Coates Hire's recycling rate has increased from 21 per cent recycling to 44.2 per cent in 2019. New targets are set year on year for 5 per cent improvement in the branches.

COATES HIRE – SOCIAL

Coates Hire is active and engaged in the communities in which it operates. For the past 17 years Coates Hire has supported The Humpty Dumpty Foundation, which funds donations of medical equipment to hospitals specialising in babies and children. Coates Hire has an ongoing involvement in the Humpty Dumpty Foundation's Balmoral Burn race in Sydney, which it supports with infrastructure such as generators, crowd control and traffic management equipment.

In FY19, Coates Hire began the development of its first Aboriginal and Torres Strait Islander Reconciliation Action Plan (RAP), after identifying practical and meaningful reconciliation as an urgent social and commercial priority for the business. Following initial guidance from Reconciliation Australia and advice from key industry partners, Coates Hire established a RAP Working Group. In FY20 the Working Group will be implementing a Reflect RAP, which will prepare the company and set out the steps for future RAPs, which are meaningful, mutually beneficial and sustainable.

Grouped under the pillars of Relationships, Respect and Opportunity, Coates Hire's first RAP is the beginning of a long, yet worthwhile and rewarding journey. Crucially, under the Opportunity pillar the Reflect RAP requires the development of business cases for Aboriginal and Torres Strait Islander employment within Coates Hire and procurement from Aboriginal and Torres Strait Islander owned businesses.

Coates Hire made a $100,000 donation to Ronald McDonald House in South East Queensland, along with financial donations to the Black Dog Institute, and is a charity partner at the Coates Hire Ipswich SuperSprint Supercar races. Staff from Coates Hire's WA team volunteered to operate the phones at the October 2018 Channel Seven Perth Telethon and are doing so again in 2019.

ALLIGHTSYKES – HUMAN CAPITAL AND SAFETY

AllightSykes promotes a proactive approach to safety, with the responsibility and accountability cascading from the executive through to all employee levels. This means that safety on the job site starts at the executive level and is a core value of the organisation and every level of the organisation has the responsibility for safety. The redesign and relaunch of the ALLSAFE management system in FY19 links our commitment to safety into all aspects of our work and creates a solid foundation. This has assisted us in continuing to have positive results, demonstrated by zero Lost Time Injuries (LTI) for three years and the All Injuries (AI) metric is below its year on year improvement target.

AllightSykes' human capital management capability is being strengthened through number of significant projects, including:

- Leadership re-organisation to streamline accountabilities and set us up for growth;
- Global employee participation in culture surveys, with clear action plans in areas where the business can be better;
- A focus on simplifying AllightSykes' processes to make it easier for its customers to do business with AllightSykes; and
- Continuing to build long-term, sustainable relationships with its suppliers.

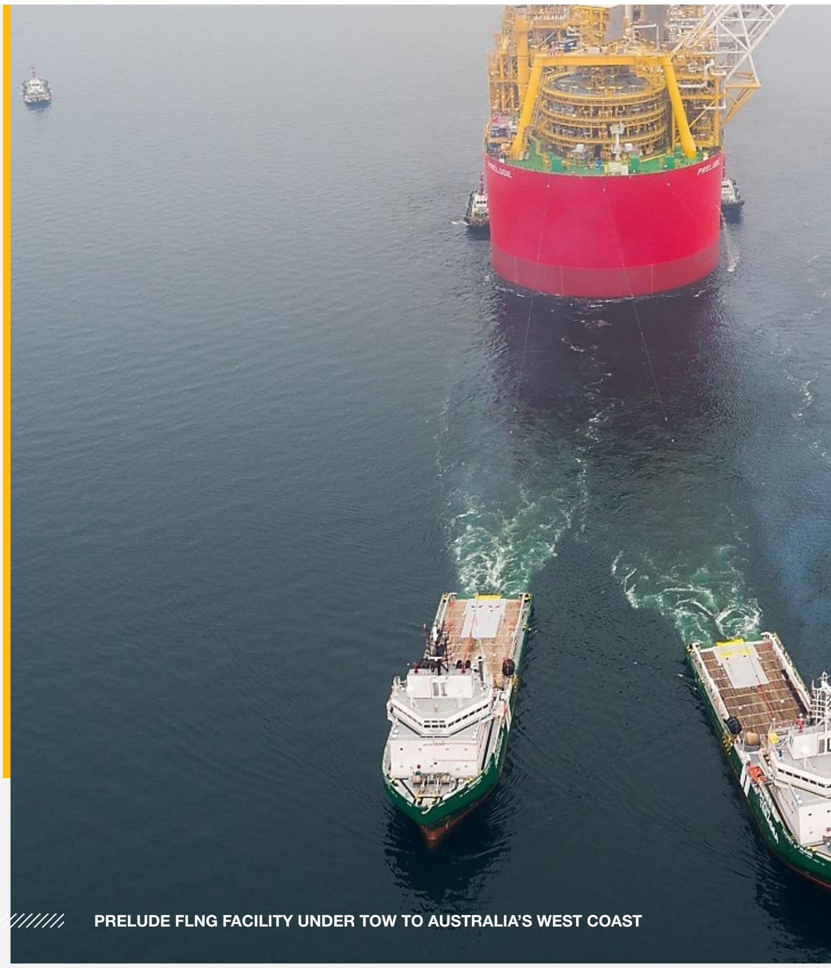
Employees are also provided with access to a dedicated employee assistance program.

SGH ENERGY – SAFETY AND ENVIRONMENT

The Group has oversight of SGH Energy's commitment to and achievement of high standards of Health, Safety and Environmental ("HSE") performance. SGH Energy has an established HSE policy, standards and processes, and operates in a prudent and responsible manner, in compliance with all applicable laws and regulations, while aspiring to higher standards and fostering a culture of continuous improvement.

The Longtom Environment Plan, Safety Case, and Well Operations Management Plan describe the assessment and management of safe and environmental responsible operation of the Longtom subsea facilities, and the management and reduction risks to as be as low as reasonably practicable (ALARP). These Plans have been accepted by the federal industry regulator – the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) and are subject to regular inspections and the requirement for periodic revision and approval.

CLIMATE CHANGE AND SUSTAINABILITY REPORT 2019



PRELUDE FLNG FACILITY UNDER TOW TO AUSTRALIA'S WEST COAST

SGH uses a holistic approach which means delivering financial growth and value to our customers through the supply chain, looking after the health and safety of the workforce, having a diverse and inclusive work environment and being environmentally sustainable and enhancing the communities in which SGH operates

Approach to Sustainability

Sustainability has been at the heart of the operating framework of the Group since its existence. A holistic approach means delivering financial growth and value to our customers through the supply chain, looking after the health and safety of the workforce, having a diverse and inclusive work environment and being environmentally sustainable and enhancing the communities in which SGH operates.

The Group recognises that sustainability is important for securing long-term environmental, economic and social benefit and understands its role in contributing to a sustainable future in order for its shareholders and communities to flourish. Sustainability remains critical to SGH's business strategy because the sustainability of SGH's activities through its core industrial and energy businesses and investments are fundamental to the Group's ongoing success.

In relation to sustainability of the business operations, the Group focusses firstly on zero harm which remains critical to driving improvement in the existing businesses, investing in growth and creating new roles. SGH's strategic objectives, prospects and the risks that could adversely affect the achievement of these objectives are further set out on pages 34 to 37.

In respect of sustainability of the environment, SGH remains committed to participating in climate change solutions by developing processes and investigating technologies to reduce its direct emissions and overall energy consumption.

Given the complexity and diversity around SGH's operations, the response of each operating business to climate change requires an integrated approach to focusing on compliance, business improvement and business development opportunities, particularly as the world moves towards a lower emissions economy. This ethos has not changed from previous years. In 2019, SGH has illustrated its responses to climate change to date through various case studies which are contained within the operating segments of the Annual Report.

The Group believes the operational businesses continue to remain flexible and agile as the world moves to a lower carbon environment. In the short to medium term, SGH does not believe there will be any structural impact to the sustainability of the businesses most sensitive to a lower carbon economy being WesTrac given existing customer demand for iron ore and coal from world markets which is expected to remain for the foreseeable future.

Outside of cyclical market factors, ongoing demand for the end products of SGH's key customers is being driven by developing and emerging economies and also strategic desires to diversify energy sources by Australia's key trading partners. In respect to thermal coal, the relatively higher calorific content, low ash and moisture of Australian coal sets it apart from its main competitors. WesTrac's customers are therefore on the whole producing a "cleaner" product which should provide reasonable demand even when energy from coal reaches a point of structural decline.

Strategically, SGH has also positioned itself towards other growing trends to adapt to a changing world. Coates Hire continues to benefit from the longer-term tailwind of infrastructure investment in Australia and Beach Energy and other directly owned assets has provided portfolio exposure to oil and gas. Specifically, gas will become more critical as a key transition fuel globally. The Group's portfolio therefore remains well positioned to manage the fluctuations facing its businesses and the interactions it has with a changing world environment.

The operations of the Group remain flexible and agile as the world moves to a lower carbon environment

Climate Policy in Australia

Australia has a target of reducing emissions to 5 per cent below 2000 levels by 2020 and has set a target to reduce emissions by 26 per cent to 28 per cent below 2005 levels by 2030. Australia's targets will be achieved through a Direct Action Plan that involves reducing emissions, encouraging technological innovation and expanding the clean energy sector.

According to the Department of Environment and Energy Emissions Projection Report in December 2018, Australia is expected to overachieve on its 2020 target by 367 Mt CO2-e, inclusive of carryover, or 240 Mt CO2-e without carryover. These estimates are calculated against an emissions budget for the period 2013 to 2020 using Kyoto categories. They are adjusted for estimates of voluntary action and units voluntarily transferred to the Commonwealth under the Waste Industry Protocol. Australia holds 128 Mt CO2-e of surplus units from the Kyoto Protocol first commitment period (our 'carryover').

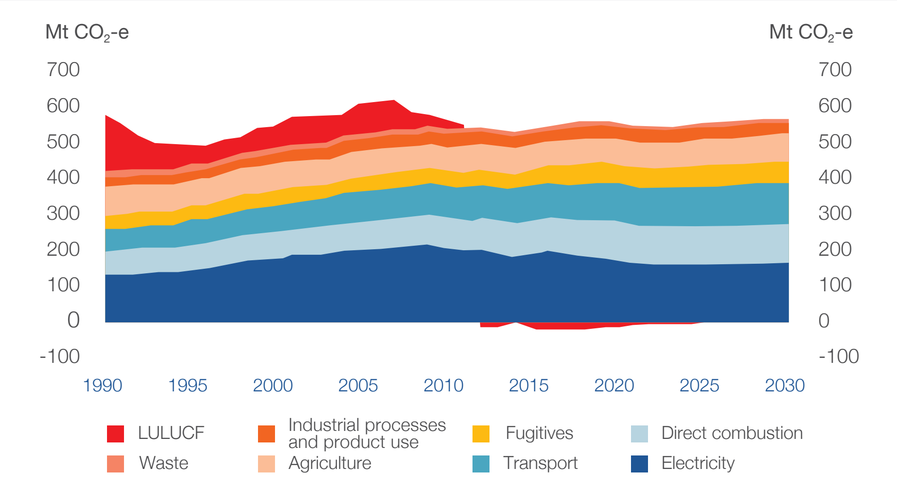
Australia's emissions are projected to grow 1 per cent above current levels to 2020. A major factor in this growth is the increase in LNG production and a declining sink in the land sector. These increases are largely offset by falling emissions in the electricity sector as a result of higher renewable builds and lower than previously forecast demand.

Total emissions in 2030 are projected to be 563 Mt CO2-e, which is 7 per cent below 2005 levels (605 Mt CO2-e). This is a reduction of 8 Mt CO2-e from the estimate of 570 Mt CO2-e published in the 2017 projections. Emissions to 2030 are projected to grow 4 per cent above 2020 levels, driven by higher emissions from LNG production, increased transport activity, a declining forest sink in the Land Use, Land Use Change and Forestry (LULUCF) sector, and growth in agricultural activity after a return to average seasonal conditions.

There has also been a decrease in the emissions reduction task for the 2030 target since the 2017 projections from 570 to 563 Mt CO2-e which is primarily driven by reductions in projected emissions from the electricity sector. This is due to greater renewable generation and lower electricity demand than previously projected.

Data	Units	Number
Australia's Emissions in 2005	$MtCO_2$-e	612
Australia's Emissions Target in 2020	$MtCO_2$-e	533
Australia's Emissions Target in 2030	$MtCO_2$-e	441–453
Australia's Emissions Target 2020	%	-5 per cent on 2000 levels by 2020
Australia's Emissions Target 2030	%	-26% to 28% on 2005 levels by 2030
Reduction in emissions per capita 2005–2030	%	50–52
Reduction in Emissions per unit of GDP 2005–2030	%	64–65

Australia's emissions 1990 – 2030F



Source: Department of Environment and Energy

Gas fired generation will continue to remain an important part of the energy mix in the long-term

Energy Transition

As the world transitions to a lower emissions global economy, gas fired generation will continue to remain an important part of the energy mix in the long-term with Bloomberg New Energy Finance (BNEF) forecasting that it will continue to grow at 0.6 per cent annually through to 2050 as it supplies back up and flexibility rather than bulk electricity in most markets. This is illustrated by the expected growth in installed capacity of peaker gas plants relative to combined cycle gas plants over this period.

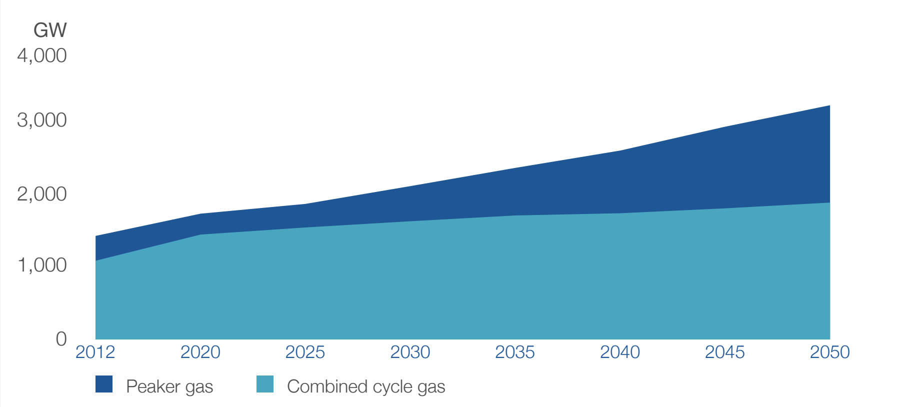
In Australia, demand for gas in eastern and south-eastern Australia has evolved in recent years, from mainly serving domestic consumers, to now servicing a growing LNG export market. Export LNG demand will continue to dominate forecast trends, representing approximately 70 per cent of total annual gas consumption across the 20-year outlook from 2019.

The demand forecasts for the 2019 Gas Statement of Opportunities (GSOO) by the Australian Energy Market Operator (AEMO) continues to show modest growth in gas exports, as well as risks and uncertainties around future gas to produce electricity. Overall, similar to the global outlook, AEMO views that in the longer term (2030-2038) as more coal-fired generation is expected to retire, this will result in increased Gas Powered Generation (GPG) consumption, projected growth in the residential and commercial sector, and relative stability in the industrial sector.

With this demand profile in mind, SGH believes that it remains well positioned to capitalise on growing gas demand in the long-term and views its investment in Beach Energy and SGH Energy as creating a strong platform for sustainable growth in the long-term.

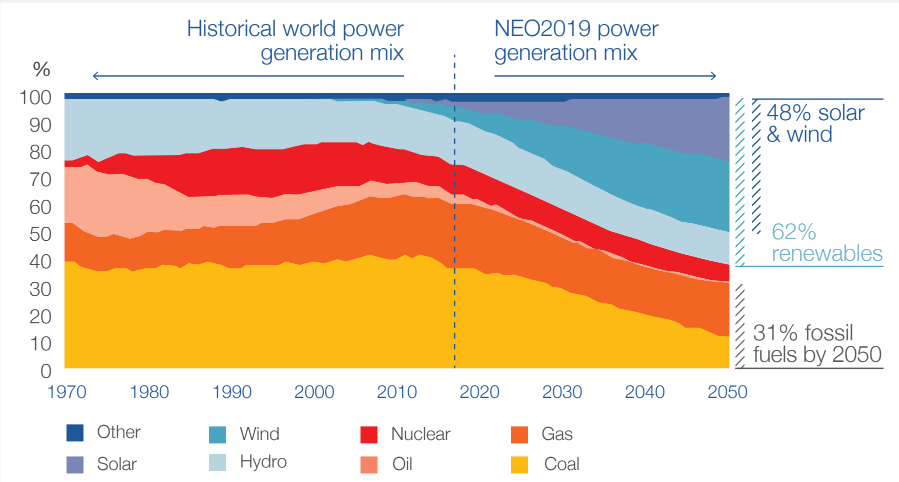
The operations of the Group remain flexible and agile as the world moves to a lower carbon environment

Installed capacity



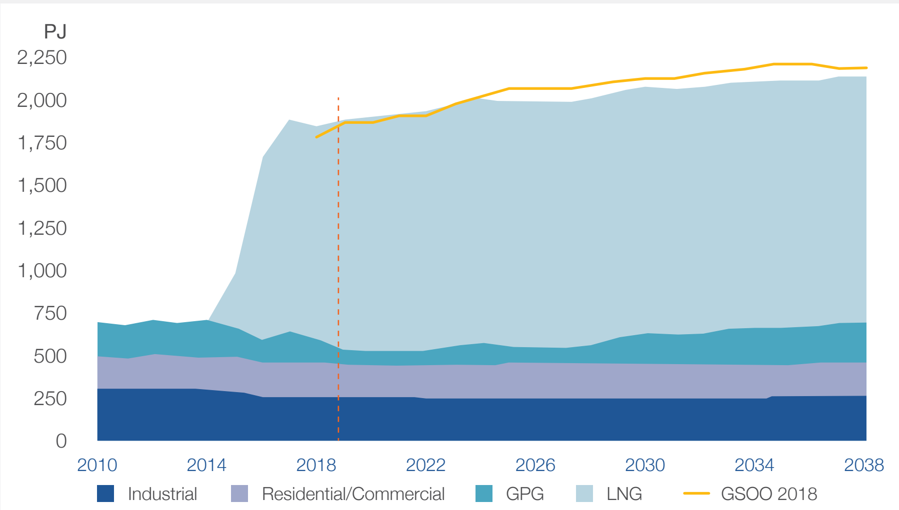
Source: BloombergNEF

Global power generation mix



Source: BloombergNEF

Gas consumption actual and forecast, 2010-38, all sectors, Neutral scenario



Source: 2019 AEMO Gas Statement of Opportunities Neutral Scenario

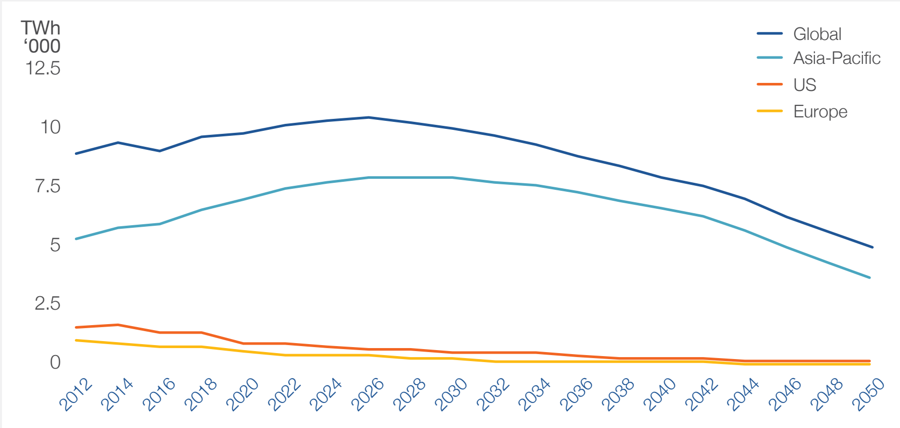
Coal

BNEF forecast that renewables will represent approximately 62 per cent of the global energy mix by 2050. This will be driven by falling costs and some structural changes in demand for fossil fuels. For example, South Korea and Japan which account for over 50 per cent of Australia's thermal coal exports have made structural changes which will impact coal demand in the medium to longer term. Despite this longer-term outlook, coal will continue to have short to medium term demand in Asia and particularly in regions where the localised cost of energy of developing a coal fired plant continues to sit below the level for renewables such as wind and solar. Relatively speaking, Australian thermal coal will also remain more attractive versus its key competitors in Indonesia given the higher calorific and lower ash content. With this backdrop, SGH views that WesTrac will therefore continue to expect reasonable demand from its end customers in the future subject to cyclical market forces and economic growth of the underlying import countries.

Conclusion

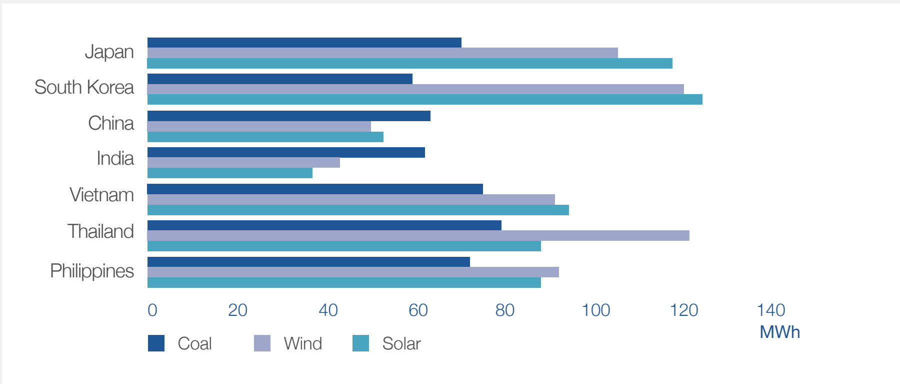
The Group operates an adaptable and robust business through its suite of operating companies which sit across energy and industrial services. Its energy investments in Beach Energy and SGH Energy have exposure to growing gas demand and its use as a transitional fuel. Coates Hire has exposure to the long-term tailwind of infrastructure development and spending and there remains ongoing demand from end customers for equipment, parts and services from its WesTrac operations. SGH looks to continuously improve the sustainability of its business model and the businesses contribution to the communities in which it operates. A culture of sustainability is built into the business in respect of the financial returns to shareholders, the safety and health of its workers but also importantly the efforts by the business to ensure SGH's customers and the environment are able to operate sustainably together for the long-term.

Electricity generation by region



Source: BloombergNEF

Localised cost of energy in key Asian trading partners



Source: Bloomberg

Note: Shows levelised cost of energy, equivalent to the long-term electricity price needed to justify building a new generation plant

Whilst coal demand is declining, the Group still expects reasonable demand in the future for its products and services from its end customers

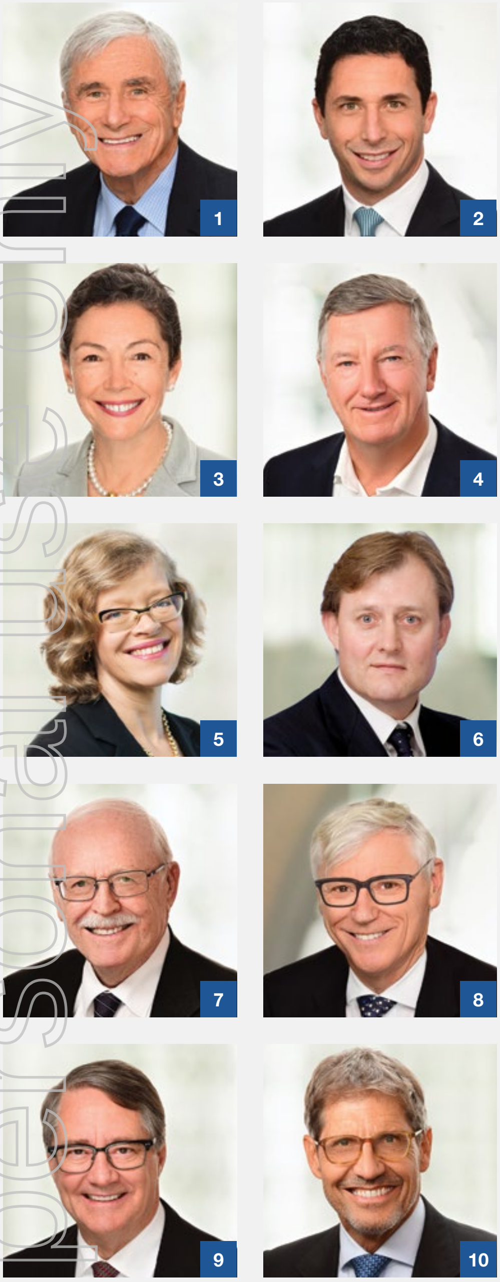
JIHAD SALEM, COATES HIRE ACCOUNT MANAGER
AT THE PORT KEMBLA COAL TERMINAL PROJECT, NSW

PRELUDE FLNG VESSEL UNDER TOW TO AUSTRALIAN WATERS

LEADING THE SECTOR WITH INNOVATIVE CONCEPT TO UTILISE WORLDS LARGEST FLNG FACILITY

The Group's 15 per cent investment in the Crux project through concept development is providing exposure to the world's largest floating LNG facility off the coast of Western Australia. The Crux field is 190 km off the Kimberley coast and will be developed by wells drilled from a normally unmanned and remotely operated platform in 165 metre water depth. Commercial arrangements for connection and processing of Crux through the industry-leading Prelude FLNG facility has secured a pathway to market for the super-rich LNG, LPG and condensate from Crux. As the leading project to backfill Prelude, the capital and execution risk often associated with LNG projects is significantly reduced. Shell Australia as operator of the Crux Joint Venture is able to focus on the safe and cost-efficient execution of an upstream project, and SGH is excited to be a participant.

BOARD OF DIRECTORS



1. Kerry Matthew Stokes AC

Executive Chairman of Seven Group Holdings Limited since 22 April 2010.

Executive Chairman of Seven Network Limited since July 1999. Prior to that Non-Executive Chairman since June 1995.

Appointed a Companion in the General Division of the Order of Australia in the Queen's Birthday honours announced on 9 June 2008.

Chairman of Seven Media Group Pty Limited since December 2006.

Chairman of Australian Capital Equity Pty Limited Group which has significant interests in activities which include media and entertainment, resources, energy, property, pastoral and industrial activities.

Chairman of Seven West Media Limited (formerly West Australian Newspapers Holdings Limited) since 11 December 2008. Appointed a Director on 25 September 2008.

Mr Stokes is Chairman and Fellow (since November 2015) for the Australian War Memorial (previously a Council Member).

2. Ryan Kerry Stokes

Mr Ryan Stokes is Managing Director & Chief Executive Officer of Seven Group Holdings Limited.

Mr Stokes was previously Chief Operating Officer of SGH from 28 August 2012 until 30 June 2015 and an Executive Director of the Company since 16 February 2010.

Mr Stokes is a Director of WesTrac, Chairman of Coates Hire, Director of Beach Energy and Director of Seven West Media.

Mr Stokes is Chief Executive Officer of Australian Capital Equity Pty Limited (ACE). ACE is a private company with its primary investment being an interest in SGH.

Mr Stokes was appointed Chairman of the National Gallery of Australia on 9 July 2018.

Mr Stokes is a former Chairman of the National Library of Australia. He is also a member of the Prime Ministerial Advisory Council on Veterans Mental Health established in 2014.

Mr Stokes holds a BComm from Curtin University and is a Fellow of the Australian Institute of Management (FAIM).

3. Sally Annabelle Chaplain

Director of Seven Group Holdings Limited since 24 November 2015.

Chair of the Audit & Risk Committee; member of the Remuneration & Nomination Committee and member of the Independent & Related Party Committee.

Ms Chaplain brings to Seven Group Holdings extensive experience in financial services and mining, engineering and infrastructure services.

Ms Chaplain is the Chairman of Canstar Pty Ltd and MFF Capital Investments Limited. She is a director of Downer EDI Ltd, and Credible Labs Inc and a former director of EFIC, Australia's export credit agency. Since April 2017, Ms Chaplain has served as a member of the Australian Ballet board of directors.

A Fellow of the Australian Institute of Company Directors, Ms Chaplain holds an MBA from the University of Melbourne, a BA majoring in Economics and Mandarin from Griffith University and a diploma from the Securities Institute of Australia.

In 2015, Ms Chaplain was awarded Griffith University Business School's Outstanding Alumnus of the year and in 2016, Griffith University conferred on her an honorary doctorate in recognition of her distinguished service to banking, finance and the community.

4. Terry James Davis

Director of Seven Group Holdings Limited since 1 June 2010.

Group Managing Director, Coca-Cola Amatil Limited from 12 November 2001 to 3 March 2014.

Chairman of the Independent & Related Party Committee, Member of the Remuneration & Nomination Committee. Chairman of the Remuneration & Nomination Committee from 3 August 2017.

Director of St. George Bank Limited from December 2004 to December 2008.

Over fifteen years experience in the global wine industry including Managing Director of Beringer Blass (the wine division of Foster's Group Limited) and Managing Director of Cellarmaster Wines Group between 1987 and 1997.

Council Member of the University of New South Wales Council from June 2006 to June 2014.

5. Katherine Leigh Farrar

Director of Seven Group Holdings Limited since 18 February 2019.

Member of the Audit & Risk Committee and member of the Independent & Related Party Committee since 15 August 2019.

Ms Farrar is currently the Chief Executive Officer of LGIAsuper. Prior to this she held executive roles at McKinsey & Company, Qenergy Ltd, Morgans Stockbroking, Ergon Energy and Suncorp. As the Managing Director of QEnergy Ltd, Ms Farrar built the company from its inception in 2009 to 2016, achieving revenues of $140 million in FY15 and a small business customer base of 21,000.

Ms Farrar has served on the Boards of QEnergy, UnityWater, Mater Health Services Ltd, and the Australian Energy Council. She was also previously an Executive Director of Morgans Stockbroking, Your Essential Super Solution, and the Chair of the Queensland Music Festival.

6. Christopher John Mackay

Director of Seven Group Holdings Limited since 1 June 2010.

Managing Director of MFF Capital Investments Limited since 1 October 2013.

Former Chairman of Magellan Financial Group Limited.

Member of the Audit & Risk Committee and of the Independent & Related Party Committee.

Considerable experience in business management, capital allocation, risk management and investment. A former investment banker and corporate and banking lawyer, with broad experience in the financial and corporate sectors over many years.

Formerly Chairman of the investment bank UBS Australasia, having previously been its Chief Executive Officer.

A director of Consolidated Media Holdings Limited from 8 March 2006 until 19 November 2012, when the company was taken over by News Corporation.

7. David Ian McEvoy

Director of Seven Group Holdings Limited since 27 May 2015.

Member of the Audit & Risk Committee and member of the Independent & Related Party Committee.

Mr McEvoy has been engaged in the oil and gas industry for over 40 years, in a variety of technical, senior executive and non-executive director roles. He was employed for almost 34 years with ExxonMobil. He concluded his executive career at ExxonMobil in 2002 as Vice President Business Development, ExxonMobil Exploration Company. Mr McEvoy earlier served as a Regional Vice President of Exxon Exploration Company from 1992 to 1997, where he was responsible for exploration activities in the Far East, USA, Canada and South America. He joined Esso Australia Limited in 1969.

Mr McEvoy graduated from the University of New South Wales with a degree in Science and a graduate diploma in Applied Geophysics.

Mr McEvoy is a former Non-Executive Director of AWE Limited (2006 – 2018), Woodside Petroleum Limited (September 2005 to May 2017), Acer Energy (formerly Innamincka Petroleum Limited) and Po Valley Energy Ltd.

8. Bruce Ian McWilliam

Director of Seven Group Holdings Limited since 28 April 2010.

Mr McWilliam is Commercial Director for Seven West Media Limited. He has been a director of Seven Media Group Pty Limited since December 2006 and of Seven Network Limited since September 2013.

Mr McWilliam is a former Director of Australian News Channel (June 2005 to December 2016), a former alternate Director of Seven West Media Limited (November 2008 to March 2015), and former Director of BSkyB, Executive Director News International Television and was General Counsel for News International plc.

Mr McWilliam was a partner of law firms Gilbert & Tobin, Turnbull McWilliam and Allen Allen & Hemsley specialising in media and commercial law and is an Honorary Fellow of the University of Sydney.

9. The Hon. Warwick Leslie Smith AO

Director of Seven Group Holdings since 12 September 2014.

Member of the Audit & Risk Committee and member of the Remuneration & Nomination Committee.

Mr Smith has been Chairman of Advisory Board Australian Capital Equity since 1 November 2006 and a director of Estia Health Limited since 17 May 2017.

He has served as Chairman of the Australia-China Council for over 8 years and has recently been announced as Chair-Designate of the National Foundation for Australia-China Relations. He is a member of the Business Council of Australia Board where he Chairs the China Leadership Group.

Mr Smith is former Chairman of New South Wales & Australian Capital Territory and Senior Managing Director of the Australia New Zealand Banking Group Limited (ANZ), former Chairman ANZ Thailand and former Chairman and Director, ANZ Greater China.

Formerly he was Chairman of E*TRADE, the Australian Sports Commission and an Executive Director with Macquarie Bank; and a Federal Government Minister with a parliamentary career spanning 15 years. He was also Australia's first Telecommunications Ombudsman.

Mr Smith has also received a Centenary Medal and was twice awarded the Order of Australia.

10. Richard Anders Uechtritz

Director of Seven Group Holdings Limited since 1 June 2010.

Member of the Remuneration & Nomination Committee and member of the Independent & Related Party Committee.

Director of JB Hi-Fi Limited since 28 April 2011.

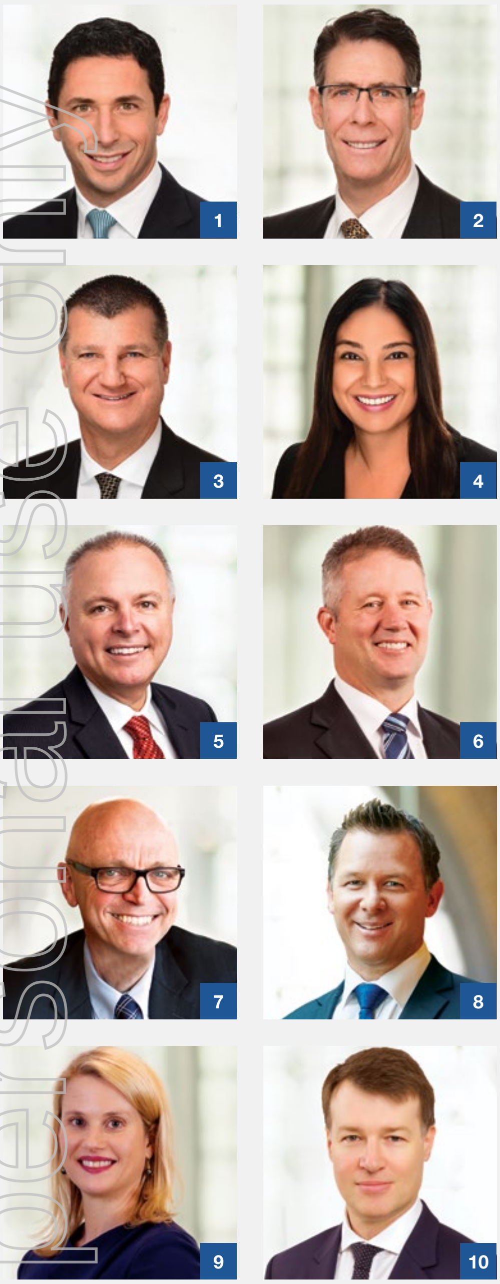
Chief Executive Officer and Director of JB Hi-Fi Limited from June 2000 to May 2010.

Over thirty years experience in retailing.

Co-founder of Rabbit Photo and Smith's Kodak Express.

Director of Kodak (Australasia) Proprietary Limited from 30 July 1998 to 20 July 2000.

EXECUTIVE MANAGEMENT



1. Ryan Stokes

Managing Director & Chief Executive Officer

Seven Group Holdings

B.Com., FAIM

Mr Ryan Stokes is Managing Director & Chief Executive Officer of Seven Group Holdings.

Mr Stokes was previously Chief Operating Officer of SGH from 28 August 2012 until 30 June 2015 and an Executive Director of the Company since 16 February 2010.

Mr Stokes is a Director of WesTrac; Chairman of Coates Hire; Director of Beach Energy, and Director of Seven West Media.

Mr Stokes is Chief Executive Officer of Australian Capital Equity (ACE). ACE is a private company with its primary investment being an interest in SGH.

Mr Stokes was appointed Chairman of the National Gallery of Australia on 9 July 2018. Mr Stokes is a former Chairman of the National Library of Australia. He is also a member of the Prime Ministerial Advisory Council on Veterans Mental Health established in 2014.

Mr Stokes holds a B.Com. from Curtin University and is a Fellow of the Australian Institute of Management (FAIM).

2. Richard Richards

Chief Financial Officer

Seven Group Holdings

B.Com./Law (Hons), LLM, MAppFin, CA, Admitted Solicitor

Mr Richard Richards has been Chief Financial Officer of SGH since October 2013. Richard is a member of the Board of Directors of WesTrac, Beach Energy, SGH Energy; and is a Director and Chair of the Audit and Risk Committee of Coates Hire; as well as a member of the Audit and Risk Committee at Beach Energy.

Richard joined SGH from the diverse industrial group, Downer EDI, where he was Deputy Chief Financial Officer responsible for group finance across the company for three years. Prior to joining Downer EDI, Mr Richards was CFO for the Family Operations of LFG, the private investment and philanthropic vehicle of the Lowy Family for two years. Prior to that, Richard held senior finance roles at Qantas for over 10 years.

Richard is a Director and the Chair of Audit and Risk Management Committee of KU - established in 1895 as the Kindergarten Union of New South Wales, KU is one of the most respected child care providers in Australia. He is also a member of the Marcia Burgess Foundation Committee.

3. Murray Vitlich

Chief Operating Officer

Seven Group Holdings

B.Bus. (Econ & Fin)

Acting CEO Coates Hire (from 24 July 2019)

Mr Murray Vitlich joined SGH in June 2017 as Chief Operating Officer for the Group, working across the portfolio of industrial businesses within Seven Group Holdings (SGH). In this capacity, Murray's focus is on driving the operational and financial performance of the businesses across the Group's portfolio, contributing to the development and delivery of key strategic initiatives for SGH, and supporting Group level relationships with key partners and customers.

Murray is a member of the Board of Directors of WesTrac, Coates Hire, SGH Energy and AllightSykes, and previously held senior operational roles at Asciano, UGL and Wesfarmers.

4. Gitanjali Bhalla

Group Executive People & Culture And Safety

Seven Group Holdings

BA, LL.B. (Hons), MIB, MAICD

Ms Gitanjali Bhalla joined SGH in October 2017 and is the Group Executive People & Culture and Safety, responsible for human resources, culture and safety across the Group. Gitanjali is also a Director of Coates Hire and WesTrac.

Gitanjali has over eighteen years of senior executive experience in leading and delivering human resources strategy and business transformational change in large organisations. Prior to joining SGH, Gitanjali spent eleven years consulting to private and publicly listed companies at Ernst & Young both in Australia and overseas before holding senior human resources, corporate services and business transformation roles at UGL and Cushman & Wakefield.

Gitanjali is an Ambassador for Good Return, a not for profit organisation committed to empowering women through microfinance.

5. Jeff Fraser

Chief Executive Officer (retired 31 July 2019)
Coates Hire
B.Com., CPA

Mr Jeff Fraser was appointed CEO of Coates Hire in July 2016. He joined Coates Hire in July 2015 as a director and Chief Financial Officer. Jeff's broad business experience includes a well-developed commercial acumen across a wide range of industries, including services and infrastructure. Prior to joining Coates Hire Jeff spent six years with Downer EDI where he held the position of Chief Financial Officer – Specialist Services. This preceded various senior positions Jeff had within Downer EDI group. Jeff held roles with Tabcorp and NEMMCO as well as various roles within BHP in both the USA and Australia.

Jeff holds a Bachelor of Commerce from Newcastle University.

6. Jarvas Croome

Chief Executive Officer
WesTrac
B.Eng. (Mechanical) (First Class Honours), B.Comm. (Management), CPEng

Mr Jarvas Croome has been Chief Executive Officer of WesTrac since March 2014. Jarvas is a member of the Board of Directors of WesTrac and Energy Power Systems Australia.

Jarvas joined WesTrac from Woodside Energy (USA) where he was the President of the US organisation based in Houston TX. Prior to that time, he had held various executive management roles at Woodside Energy in Australia including Vice President Australian Business Unit and Vice President for Technical Services. Prior to Woodside, Jarvas had worked as a global Product and Sales manager for Shell Australia and a subsea engineer with Kvaerner RJ Brown.

Jarvas holds Chartered Professional Engineering (CPEng) status with Engineers Australia and has been previously registered on the National Professional Engineers Register. Jarvas plays an active role in his local community and chairs the board for Sorrento Primary School.

7. Greg Graham

Chief Executive
WesTrac NSW/ ACT
B.Bus. (Management), MBA, GAICD

Mr Greg Graham has been Chief Executive of WesTrac in NSW and the ACT since 2013. After gaining extensive experience as a successful leader in the equipment management industry, Greg joined WesTrac to define the business' long-term strategic direction and operational capability. Greg is currently Chairman of Energy Power Systems Australia and a director of WesTrac.

Greg has over 30 years' experience in the capital equipment sector and his experience spans a diverse range of roles, including sales, operations and senior leadership positions across Australia and Europe. Prior to joining WesTrac, Greg was Managing Director of Liebherr Australia, where he was responsible for managing and executing strategic and operational plans. Concurrently, Greg held the position of Executive Vice President, Sales and Marketing, for Liebherr Mining Equipment SAS, assuming global responsibility for the sales and marketing of Liebherr's mining equipment products. During this time, Greg also served as a member of the Board of Management of Liebherr Mining Equipment SAS. Prior to his time at Liebherr, Greg held a range of roles in Australia and Europe with businesses such as Caterpillar, O&K Australia and Emeco International.

8. Gus Elliot

Chief Executive Officer
AllightSykes
B. Const Mgmt

Mr. Gus Elliot was appointed CEO of AllightSykes in March 2019.

Gus joined AllightSykes from BGC Contracting where he was the COO of Project Support and brings expertise in project delivery and operational leadership with over 20 years of experience both nationally and internationally.

Gus brings broad cross-sector experience in large-scale projects within oil and gas, mining, construction, water and wastewater infrastructure, power generation, heavy industrial, shutdown and maintenance projects.

Prior to this time with BGC, Gus spent 15 years with Leighton Contractors in various Project Management roles culminating in the leadership role of Construction Director on the $3.5B Civils and Underground Services project for Leighton on Chevron's Gorgon Project (WA).

Gus is an active supporter of NAWIC and has been a mentor for Women in Construction since 2017.

9. Margaret Hall

Chief Executive Officer
SGH Energy
B.Eng. (Met) (Hons), MIEAust, SPE

Ms Margaret Hall was appointed Chief Executive Officer of SGH Energy in September 2015 and is also a Director of SGH Energy. The CEO role holds responsibility for delivering value from the SGH Energy oil and gas assets within Australia and the USA as well as driving growth of this business segment for the parent company.

Margaret has over 25 years of experience in the oil and gas industry, spanning both super-major and independent companies. From 2011 to 2014 Margaret held senior management roles in Nexus Energy with responsibilities covering Development, Production Operations, Engineering, Exploration, Health, Safety and Environment. This was preceded by 19 years with ExxonMobil in Australia, across production and development in the Victorian Gippsland Basin and Joint Ventures across Australia.

10. Warren Coatsworth

Company Secretary & Legal Counsel
BA, LLB (Hons), LLM, FCSA

Mr Warren Coatsworth has been Company Secretary & Legal Counsel of Seven Group Holdings since April 2010.

Warren is a solicitor holding a current practising certificate with degrees in Arts and Law (Hons) from the University of Sydney. He holds a Master of Laws in Media and Technology Law from the University of New South Wales as well as a Graduate Diploma in Applied Corporate Governance. He is a qualified Chartered Company Secretary and a Fellow and member of the Governance Institute of Australia.

Warren has an extensive experience as Legal Counsel at the Seven Network advising broadly across the company; and was formerly a solicitor at Clayton Utz. Included on Doyles Guide's list of Leading In-House Technology, Media & Telecommunications Lawyers in Australia for 2016 and 2017.

Company Secretary of Seven West Media since April 2013 and of Seven Network since 2005.

MESSAGE FROM THE INDEPENDENT & RELATED PARTY COMMITTEE

Dear Shareholders

The Independent & Related Party Committee (IRPC) was established on inception of the Company in 2010. The IRPC has at all times been comprised of only Independent Directors on the Board. The IRPC's current members are Ms Annabelle Chaplain, Ms Kate Farrar, Mr David McEvoy, Mr Chris Mackay, Mr Richard Uechtritz and myself as Chairman.

My fellow Directors on the IRPC are conscientious and strong-minded individuals who have each built highly successful careers based on outstanding performance, technical expertise and their personal attributes as leaders. Importantly, they are each engaged members of the Australian corporate community who keep abreast of current market practice and developments, particularly through their shared experience on Boards or in senior executive roles of other significant companies and organisations in industries that are relevant to the Company's businesses and investments. They each believe in the key role that good governance plays in sustainable value creation for all of the Company's shareholders. The Independent Directors on the Board bring this mindset to the work performed by the IPRC and in the exercise of their judgement and responsibilities on the Board.

The IRPC's Charter provides that "the purpose of the Independent & Related Party Committee is to provide a forum for the review of material transactions between the Company and its related parties". The Scheme Booklet lodged by the Company on 30 April 2010, relating to merger of Seven Network Limited and WesTrac Holdings Pty Limited to form Seven Group Holdings Limited which was approved by Seven Network Limited shareholders, disclosed the nature of the related party transactions in place at the time of the Company's formation and their quantum. Those related party transactions principally related to existing legacy service arrangements with, or properties owned by, entities controlled by the Company's major shareholder, Mr Kerry Stokes AC, that were required as part of the Company's continuing operations particularly during the period that assets held within the WesTrac Group transitioned from private ownership to a publicly listed entity.

Throughout the period since the Company's formation, the IRPC has received detailed reports of the Company's related party transactions, including those between the Company and entities controlled by Mr Kerry Stokes AC. The IRPC has worked diligently to establish rigorous protocols for reviewing related party transactions which have been promulgated to Management. As the Company's growth has matured and in the interests of good governance, the IRPC, with the support of the other Directors on the Board, including Mr Kerry Stokes AC and Directors associated with the interests of Mr Kerry Stokes AC, has proactively endeavoured to reduce the quantum of related party transactions with the Company where opportunities have arisen to do so.

On behalf of the IRPC, and the Board, I am pleased to report that the IRPC has overseen the majority of the Company's complex related party transactions being collapsed or externalized to unrelated third parties, with a number of branch and residential property leases, on arm's length terms, with entities controlled by Mr Kerry Stokes AC remaining. This transition of related party arrangements to externalized or unrelated third parties has included the sale by entities controlled by Mr Kerry Stokes AC of WesTrac's main operating sites at Tomago and South Guildford, over which WesTrac held first rights of acquisition under WesTrac's lease terms, in consideration for WesTrac receiving substantial rent reductions and lease extension incentives for these sites.

This concerted effort of the IPRC and interests associated with the Company's major shareholder has resulted in the Company's annual related party transactions being reduced from $46 million in FY15 to $7 million in FY19.

Along with the increased free-float in the Company's securities from 26.4 per cent to 38.9 per cent of the Company's total issued share capital (brought about by the Institutional Placement and Share Purchase Plan in September 2017 and conversion of TELYS4 securities to ordinary securities in September 2018), which created the conditions for a broader range of investors to become shareholders in the Company, the process of reducing related party transactions demonstrates the Board's commitment to good governance in the interests of all shareholders.

Yours faithfully

Terry Davis
Chairman of the Independent & Related Party Committee

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2019

This statement outlines the Company's main corporate governance practices that were in place throughout the financial year and, unless otherwise stated, its compliance with the 3rd edition of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (ASX Recommendations).

As part of the periodic review of its Board and Committee Charters during the financial year, the Company proactively took account of emerging developments in corporate governance, as raised in the 4th edition ASX Corporate Governance Council Corporate Governance Principles and Recommendations released on 27 February 2019 (4th Edition ASX Recommendations). The resulting amendments to the Board and Committee Charters are aligned with emerging market expectations, reflect many of the responsibilities and processes that the Board and its Committees were already undertaking and prepares the Company for its transition to reporting against the 4th Edition ASX Recommendations in the Company's next Corporate Governance Statement.

Accordingly, reporting of compliance within this Corporate Governance Statement remains against the 3rd edition of the ASX Recommendations, however, reference is also made herein to corporate governance enhancements which relate to the 4th Edition ASX Recommendations. The Board will continue to review developments in corporate governance as part of its periodic review of governance at the Company. The Company's Board and Committee Charters and a number of the corporate governance policies referred to in this statement are available in the "Corporate Governance" section of the Company's website at www.sevengroup.com.au/about-us/corporategovernance.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and responsibilities of the Board

The Board is empowered to manage the business of the Company subject to the Corporations Act 2001 (Corporations Act) and the Company's Constitution. The Board is responsible for the overall corporate governance of the Group and has adopted a Board Charter, which is available on the Company's website. The Board Charter sets out the role and responsibilities of the Board as well as those functions delegated to management.

The Board Charter provides that the Board's role includes:

- representing and serving the interests of shareholders by overseeing, reviewing and appraising the Company's strategies, policies and performance in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution;
- demonstrating leadership by approving the Company's purpose, statement of values, strategic objectives and code of conduct for directors, senior executives and employees and monitoring corporate culture;
- contributing to and approving management's development of corporate strategy including approving strategic objectives;
- monitoring corporate performance and management's performance and implementation of Company strategy and promotion of the Company's values;
- reviewing and monitoring systems of risk management and internal control and ethical and legal compliance, including review of procedures to identify the main financial and non-financial risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial reporting, financial controls and other reporting;
- developing a Board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership;
- developing and reviewing corporate governance principles and policies and monitoring compliance with those principles and policies to underpin and instil the desired culture within the Company and reinforce a culture across the Company of acting lawfully, ethically and responsibly;
- monitoring that management has formal and rigorous processes in place to validate the quality and integrity of the Company's corporate reporting;
- satisfying itself that the Company's remuneration framework is aligned with the Company's purpose, its strategic objectives, values and risk appetite; and
- in accordance with the Company's Diversity Policy, reviewing, on an annual basis, the report prepared by the Remuneration & Nomination Committee outlining the relative proportion of women and men on the Board, in senior management positions and in the workforce at all levels of the Group.

The Board Charter provides that matters which are specifically reserved for the Board or its Committees include:

- appointment and removal of the Chief Executive Officer;
- approval of dividends;
- approval of the annual budget;
- monitoring capital management and approval of capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- the establishment of Board Committees, their membership and delegated authorities; and
- calling of meetings of shareholders.

Board Committees

The Board is assisted in carrying out its responsibilities by the Audit & Risk Committee, the Remuneration & Nomination Committee and the Independent & Related Party Committee. Each Committee has its own written Charter which is reviewed on an annual basis. The Charter of each Committee is available on the Company's website. Further details regarding the Audit & Risk Committee are set out under "Principle 4 – Safeguard the Integrity of Corporate Reports" and further details regarding the Remuneration & Nomination Committee and the Independent & Related Party Committee are set out under "Principle 2 – Structure the Board to be Effective and Add Value" in this Corporate Governance Statement.

The Directors' Report on page 73 sets out the number of Board and Committee meetings held during the 2019 financial year under the heading "Meetings of Directors", as well as the attendance of Directors at those meetings.

Delegation to Management

Subject to oversight by the Board and the exercise by the Board of functions which it is required to carry out under the Company's Constitution, Board Charter and the law, it is the role of management to carry out functions that are expressly delegated to management by the Board, as well as those functions not specifically reserved to the Board, as it considers appropriate, including those functions and affairs which pertain to the day-to-day management of the operations and administration of the Company.

Management is charged with promulgating the Company's values across the organisation and is responsible for implementing the policies, business model and strategic objectives approved by the Board. Management must supply the Board with information in a form, time-frame and quality that will enable the Board to discharge its duties effectively, including information concerning the Company's compliance with material legal and regulatory requirements and any conduct that is materially inconsistent with the values or Code of Conduct of the Company. The Company has adopted a Delegated Authority Policy, which delegates to management the authority to carry out expenditure in relation to specified areas of the Company's operations, subject to the Company's policies and procedures in respect of the authorisation and signing of Company contracts, which includes a system of legal review. The functions exercised by the Board and those delegated to management are subject to ongoing review to ensure that the division of functions remains appropriate.

Executive Management Team

Company executives are each employed under written employment agreements, which set out the terms of their employment.

Prior to the commencement of employment, the Company undertakes appropriate background checks on new senior executives.

The management of the Company during the financial year comprised the Managing Director & Chief Executive Officer (MD & CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) and Group Executive – People & Culture, Chief Executives of each of WesTrac, Coates Hire, AllightSykes and SGH Energy, as well as several Seven West Media Limited executives who provide management services to the Company, and as part of these arrangements, a portion of their salary cost was charged to the Company for the services provided to it. Profiles of members of the Executive Management team are available at pages 56 to 57 of this Annual Report.

Governance and SGH Subsidiary Operating Businesses

The Company's key operating businesses (subsidiaries), WesTrac, Coates Hire, SGH Energy and AllightSykes are each subject to the additional oversight of separate management committees which function as subsidiary 'boards', with the rigour and formality of a board structure involving regular meetings and reporting. These 'boards' each consist of Group Executives, including the MD & CEO, CFO and COO, and the subsidiary Chief Executive, and provide a forum to review the operations of the business and to hold each subsidiary accountable. The subsidiary business Chief Executives have overall operational accountability for their individual businesses including performance and day-to-day management, while the Company's Group level corporate resources provide central oversight of strategy, finance and accounting, legal and human resources. The subsidiary operating business 'boards' are supplemented by specialised operating business committees which assist in relation to the oversight of key aspects of the business, such as finance, health and safety, remuneration and/or project management, as required.

Each of the Company's key operating businesses reports to the Company's Board through regular comprehensive 'vertical' business board reports as well as through aggregated 'horizontal' Group-level reviews, including finance, health and safety, risk, human capital management, strategy and customer relations.

This management structure enables the Company to set Group minimum standards, disseminate and reinforce a Group culture, implement compliance controls and procedures across the Group and ensure the Group's businesses maintain focus on shareholder returns. It also appropriately safeguards and reinforces the Group's processes in relation to integrity in corporate reporting, management of the Group's disclosure obligations and the Group's ability to manage risk.

Appointment of Directors

The Board has established a Remuneration & Nomination Committee to assist it in the appointment of new Directors. Further information regarding the Committee is set out under "Principle 2 – Structure the Board to be Effective and Add Value" in this statement. The policy and procedure for the selection and appointment of new Directors is set out in an attachment to the Board Charter. The factors that will be considered when reviewing a potential candidate for Board appointment include:

– skills, experience, expertise and personal qualities that will best complement the Board effectiveness having regard to the Board skills matrix, including a deep understanding in the areas of corporate management, operational, safety and financial matters and the media, industrial services and energy industries in which the Group operates;
– existing composition of the Board, having regard to the factors outlined in the Company's Diversity Policy and the objective of achieving a Board comprising Directors from a diverse range of backgrounds;
– capability of the candidate to devote the necessary time and commitment to the role (this involves a consideration of matters such as other board or executive appointments); and
– potential conflicts of interest, and independence.

As part of the selection and appointment process:

– the Board and Remuneration & Nomination Committee, if so requested, identify potential Director candidates, with the assistance of external search organisations as appropriate;
– background information in relation to each potential candidate is provided to all Directors;
– appropriate background checks are undertaken before appointing a Director, or putting forward to shareholders a Director candidate for election;
– an invitation to be appointed as Director is made by the Chairman after having consulted all Directors, with recommendations from the Remuneration & Nomination Committee (if any) having been circulated to all Directors.

Appointed Directors receive a formal letter of appointment which set out terms of their appointment. The date at which each Director was appointed to the Board is announced to ASX and is provided in this Annual Report on pages 56 to 57.

New Director Appointment During the Year

During the year, the Board undertook a review of the Board's structure and composition, and on 18 February 2019 appointed an additional Independent Director, Ms Kate Farrar, to the Board.

The Board considers that Ms Farrar's appointment adds further depth and strength to the Board, and that Ms Farrar's skills and experience, particularly in investment analysis, capital management and allocation and energy sector knowledge, are valuable to the Board.

CORPORATE GOVERNANCE STATEMENT

Election and Re-election of Directors

Directors appointed to fill casual vacancies hold office until the next Annual General Meeting and are then eligible for election by shareholders. In addition, each Director must stand for re-election at the third Annual General Meeting of the Company since they were last elected. The Notice of Meeting for the Annual General Meeting discloses material information about Directors seeking election or re-election, including appropriate biographical details, qualifications and other key current directorships.

Company Secretary

The Company Secretary's role is to support the Board's effectiveness by:

- helping to organise and facilitate the induction and professional development of directors;
- ensuring that the business at Board and Committee meetings is accurately captured in the minutes;
- advising the Board and Committees on governance matters; and
- coordinating the timely distribution of Board and Committee agendas and briefing materials.

The decision to appoint or remove a Company Secretary is made or approved by the Board. The Company Secretary is accountable to the Board through the Executive Chairman on all matters to do with the proper functioning of the Board. Each of the Directors has unrestricted access to the Company Secretary.

Board, Committee and Director Performance Evaluation

The Executive Chairman closely monitors the performance and actions of the Board and its Committees. During the financial year, Directors completed a Board Evaluation questionnaire concerning Board, Committee and Director, including Chairman, performance from which aggregated data and responses were provided to the Chairman and then presented to the Board for discussion and feedback. The Board Evaluation questionnaire provides an opportunity for the Board to benchmark results year on-year and to identify Board performance priorities, governance framework enhancements and improve the effectiveness of meetings and Company processes.

The aggregated questionnaire results also provide the basis of individual discussions between Directors and the Chairman. The Chairman and each Board member consider the performance of that Board member in relation to the expectations for that Board member and consider any opportunities for enhancing future performance. Matters which may be considered include the expertise and responsibilities of the Board member and their contribution to the Board and any relevant Committees and their functions.

Additionally, during the financial year, a report on the program of work undertaken by the Board and each of its Committees, assessed against their respective Charter responsibilities and duties, is provided to the Board for discussion and for the purposes of reviewing performance of the Board and the Committees, as well as their Charters, to ensure that the Board and its Committees operate effectively and efficiently. During the reporting period, performance evaluations of the Board, its Committees and individual Directors were carried out in accordance with this process.

Assessment of management performance

The performance of the MD & CEO is formally reviewed by the Board against the achievement of strategic and budgetary objectives in respect of the Group's operations and investments whilst also having regard for his personal performance in the leadership of the Group. The Board's review is carried out annually in regard to certain goals against which he is assessed, and throughout the year in regard to others, and forms the basis of the determination of the MD & CEO's performance-based remuneration. The Remuneration Report sets out further details of the performance criteria against which the MD & CEO's performance-based remuneration is assessed on. Refer to the Remuneration Report from page 76 for further detail.

The performance of senior executives of the Company are reviewed on an annual basis in a formal and documented interview process with either the MD & CEO or the particular executive's immediate supervisor, who evaluates performance against agreed performance goals and assessment criteria in relation to the senior executive's duties and material areas of responsibility, including management of relevant business units within budget, motivation and development of staff and achievement of, and contribution to, the Company's objectives. A performance evaluation of the MD & CEO and other senior executives took place during the year in accordance with this process. For further information about the performance-related remuneration of senior executives and employees, see the Remuneration Report and the discussion set out under "Principle 8 – Remunerate Fairly and Responsibly".

Diversity and Equal Employment Opportunity Policy

SGH is committed to an open and inclusive workplace. The Company has an ongoing commitment to Diversity as well as Equal Employment Opportunity. Key accountabilities are outlined below:

Board

- Sets objectives and works to ensure that organisational behaviour is consistent with an inclusive workplace that embraces diversity.

Executive Management

- Sets objectives and demonstrate behaviour consistent with an inclusive workplace that embraces diversity.
- Adhere to the minimum standards of behaviour outlined in the Policy.
- Report unacceptable behaviour and deal with any complaints made, appropriately and promptly.

Managers and Supervisors

- Demonstrate behaviour consistent with an inclusive workplace that embraces diversity and promote such a workplace by:
  - encouraging the sharing of diverse experiences and perspectives;
  - identifying and considering how particular diverse attributes can create value and assist employees to make such a contribution; and
  - fairly reviewing performance against objectives set at least once a year.
- Adhere to the standards of behaviour outlined in the Policy.
- Report unacceptable behaviour and deal with any complaints made, appropriately and promptly.

Company progress on diversity objectives in 2019

Measurable Objectives	Achievements in 2019
Flexible Work Practices Flexibility provides employees with a wider range of choices as to how, when and where they are able to undertake their work activities. – Development of flexible work practices, tailored to individual needs, to assist employees to balance work with family, carer or other responsibilities. – Practices may be formal, such as part-time hours, or informal, such as working from home.	The businesses within the Group now have a framework to enable flexible work practices and arrangements. Flexible work policies are now simpler and easier to access, and work continues to ensure the policies are consistently applied within the workplace. Utilisation of flexible work practices continues to improve as the policies become better understood by both management and employees. These also include telecommuting, job sharing and compressed working week initiatives. This has also enabled the company to attract candidates from a more diverse employee pool. Promotion of flexible workplace practices have formed part of the Group's internal and external brand, ensuring the longevity and transparency of the practices. Businesses have become accredited or are in the process of becoming accredited for offering flexible practices on diversity focussed job boards.
Equal Opportunity The Company strives to make decisions in a transparent and fair manner that excludes conscious or unconscious biases that might discriminate against certain employees or candidates. – Decisions regarding employment and remuneration are based on merit, ability, performance and potential. – Internal and external placements are recruited through the assessment of individual merit, skills and experience.	Reporting and people analytics across recruitment, performance management, remuneration have provided better visibility into current state which have resulted in the following: Processes within the Group ensure that decisions about pay are linked to market benchmarks at remuneration review, for promotions and on hire. Gender Pay parity is reviewed annually and is a key focus across all business. In FY19, additional budgets were allocated to address pay gaps where parity is yet to be achieved. Recruitment practices have evolved to ensure that hiring managers are presented with a diverse candidate base which includes female candidates. Gender conversion rates are reviewed to uncover potential bias. This continues to improve the diversity of candidates and the overall quality of hires. Select roles have been identified within the businesses such that they can be completed equally by either male or female employees on a full-time, part-time or casual basis. In addition, training programs (unconscious bias) have been introduced to increase awareness about diversity and inclusiveness. A targeted intake of indigenous apprentices, along with better support structure and programs for recruits ensures an active focus across all business units.
Career Development and Progression Assisting all employees to have equal access to career development and progression. – Ensuring the talent of all employees is recognised and utilised to retain and increase diversity across all levels of the Company. – Decisions relating to task allocation, training and development are based on merit, performance and talent.	Talent and succession planning processes have resulted in a deeper review of people and their potential at the Company, including opportunities across the businesses for female talent. A key objective has been to embed gender diversity as an active consideration in succession planning noting that executive KPIs in FY19 included year on year increase in female talent in business units. All leaders in one of the Group entities undertook a behaviours-based culture change program, creating a level playing field for leadership. The program itself encouraged leaders to better understand diversity as well as recognise and give feedback to employees. Mentoring programs targeted at women were also implemented in FY19. Executive level succession plans were reviewed by the Board and provided a diverse list of candidates for whom development plans will help to ensure preparedness to take on future opportunities.

CORPORATE GOVERNANCE STATEMENT

Gender Diversity

The proportion of women employed within the Group is as follows:

Level	Number of Women	Proportion of Women
Board	2 of 10	20%
Senior executives*	72 of 600	12%
Whole of organisation	890 of 5,403	16.5%

* Senior executives include Executive Directors of Seven Group Holdings Limited and its subsidiaries, as well as other members of the Executive leadership team and, where appropriate, direct reports to the Executive leadership team. Executive Directors have been included in both the Board and the senior executive categories. The Board and senior executives are included in the Whole of Organisation category. For the purpose of this section of the report, employee numbers and statistics have been calculated based on employees who were paid in the final pay periods of April 2019.

In February 2019 the Board appointed Ms Kate Farrar to the Board, resulting in an improvement in gender diversity. The Board is mindful of and recognises the benefits of a Board comprising directors with a broad range of skills, experience and perspectives. The Board will continue to review its composition to ensure that it remains appropriate for the Company, including with regard to gender diversity, as it manages succession on the Board. Additionally, the Company has posted its Workplace Gender Equality Act Public Reports for 2018–2019 on its website, which contains the Company's Gender Equality Indicators, in the 'Corporate Governance' section of its website.

PRINCIPLE 2 – STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

Board Composition

The Company's Constitution provides for a minimum of three Directors and a maximum of 12 Directors on the Board. As at the date of this statement, the Board comprises ten Directors, including seven Non-Executive Directors.

The Non-Independent Directors in office are:

- Mr Kerry Stokes AC, Executive Chairman;
- Mr Ryan Stokes, MD & CEO;
- Mr Bruce McWilliam, Commercial Director;
- The Hon Warwick Smith AO, Director;

The Independent Directors in office are:

- Ms Annabelle Chaplain, Director;
- Mr Terry Davis, Director;
- Ms Kate Farrar, Director;
- Mr David McEvoy, Director;
- Mr Christopher Mackay, Director; and
- Mr Richard Uechtritz, Director.

The qualifications, experience, expertise and period in office of each Director of the Company at the date of this report are disclosed in the Board of Directors section of this Annual Report on pages 54 to 55.

Board Independence

The Board comprises a majority of Independent Directors, with four Non-Independent Directors and six Independent Directors since Ms Farrar's appointment. During the period of the financial year prior to Ms Farrar's appointment, the Board comprised four Non-Independent Directors and five Independent Directors.

In determining whether a Director is independent, the Board conducts regular assessments and has regard to whether a Director is considered to be one who:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, or represents or has been within the last three years an officer or employee of, a substantial shareholder of the Company;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- is, or has previously been, employed in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor of, or a material consultant to, the Company or another Group member, or an employee materially associated with the service provider;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has been a director of the entity for such a period that their independence from management and substantial holders may have been compromised; or
- has a material contractual relationship with the Company or another group member other than as a Director.

The Board determines the materiality of a relationship on the basis of fees paid or monies received or paid to either a Director or an entity which falls within the independence criteria above. If an amount received or paid may impact the Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of the Group in the previous financial year by more than five per cent, then a relationship will be considered material.

Mr Kerry Stokes AC, Mr Ryan Stokes and Mr Bruce McWilliam are not considered to be independent due to their executive positions with the Company. In addition, Mr Warwick Smith AO is not considered to be independent as he is the chairman of the advisory board of Australian Capital Equity Group of companies which is deemed to be controlled by Mr Kerry Stokes AC. In the Board's view, the Independent Directors referred to above are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors' ability to act with a view to the best interests of the Company.

The Board believes the management of the Company benefits from, and it is in the interests of shareholders for Directors on the Board to have a mix of tenures as currently represented by Directors on the Board, such that some Directors have served on the Board for a longer period and have a deeper understanding of the Company and its operations, and new Directors bring fresh ideas and perspectives.

While the Board does not consider that independence can be assessed with reference to an arbitrary and set period of time, the Board has specifically considered the independence of longer-serving Non-Executive Directors during the financial year. The Board determined that these Directors are independent and their periods of tenure do not interfere with the capacity of each of these directors to bring independent judgement to bear on issues before the Board and to act in the best interests of the entity as a whole. The Board also considers that given the Company has diverse operations within a conglomerate structure that have grown considerably over time, the Company's performance and shareholders benefit from having an appropriate number of longer-serving Directors with detailed knowledge of the history and experience of the Group's operations as part of the overall composition of Directors on the Board. As part of succession planning on the Board, the Board's management of tenure of Directors on the Board also aims to achieve a period of knowledge transfer between longer-serving and more recently appointed Directors, prior the rotation of longer-serving non-executive directors off the Board.

Independent & Related Party Committee

The Independent Directors (identified on page 64) are members of the Independent & Related Party Committee, which has Mr Terry Davis as its Chairman. The Committee provides a forum for the review of material transactions between the Company and its related parties, including transactions with Australian Capital Equity Pty Limited and interests associated with Mr Kerry Stokes AC. Review of related party transactions by the Committee occurs without Non-Independent Directors present. The Committee meets at least twice during the year, and the Committee otherwise holds discussions and receives management reports concerning related party transactions as necessary. As such, the Committee provides an opportunity for the Independent Directors to meet regularly without Non-Independent Directors present.

The Chair of the Independent & Related Party Committee performs the function of a Lead Independent Director on the Board.

The Independent & Related Party Committee has overseen a substantial reduction of related party transactions in recent years, principally involving the conclusion of legacy service arrangements or the transfer of property interests and leases relating to several key business sites to third parties. For more information concerning the reduction in quantum of related party transactions, please see the message from the Chairman of the Independent & Related Party Committee on page 58 and on page 90 of this Annual Report.

Chairman

The roles of the Chairman and MD & CEO are separate. Mr Kerry Stokes AC is Executive Chairman of the Company. The Chairman is responsible for leading the Board, facilitating the effective contribution of all Directors and promoting constructive and respectful relations between Directors and between the Board and Management.

The Board acknowledges the ASX Recommendation that the Chairman should be an Independent Director, however the Board has formed the view that Mr Stokes AC is the most appropriate person to lead the Board as its Chairman, given his history of leadership across the businesses and investments comprising the Group, including in the areas of heavy equipment management and services, property and television management and related media investments. In addition, Mr Stokes AC's grasp of new technologies driving television production and transmission and his incentive to maximise the interests of the Group are considered beneficial for the Company. Mr Stokes AC has been involved in investing in and managing diverse businesses for more than four decades and currently has broad business interests and investments in a range of major business sectors in Australia and overseas, including construction, agribusiness, property development mining, oil and gas exploration. His experience, business relationships and insights are considered to be invaluable to the Group.

Board skills, experience and expertise

Each Director brings a range of personal and professional experiences and expertise to the Board. The Board seeks to achieve an appropriate mix of skills, tenures and diversity, including a deep understanding of the industries in which it holds investments and operates, as well as corporate management and operational, financial and safety matters. Directors devote significant time and resources to the discharge of their duties.

Company's Purpose and Strategic Objectives

The Board has approved the Company's purpose as *"Maximising returns to shareholders through long term sustainable value creation"*. The Board reviewed the Company's strategic objectives during the year and the Company's execution against the strategy disclosed in the 2018 Annual Report in consultation with Management. The Board has refined the Company's strategic objectives disclosed in the 2018 Annual Report to provide greater clarity and focus, approving the following areas as strategic objectives for the Company to achieve the Company's purpose and underpin the Company's economic sustainability:

1. Diligent application of capital to maximise outcomes and returns;
2. Unlocking the potential of our people with effective processes and systems;
3. Focused execution of our strategies and ability to adapt to dynamic environments;
4. Operate efficiently and effectively across different sectors and realise the full potential of our businesses; and
5. Contribute to our societies through creating better outcomes via our involvement.

CORPORATE GOVERNANCE STATEMENT

Board Skills Matrix

The Board has developed a Board Skills Matrix set out in the table below reflecting the desired skills and experience required to be able to deliver on the strategic objectives of the Company. The Board believes that these skills and experiences are well-represented by its current composition which provides a mix of Directors with specialised knowledge relating to particular industries in which the Group businesses operate as well as general corporate, executive and Director experience which are appropriate for the Company. The table also outlines the percentage of current directors possessing those skills and experience.

Skills and Experience	Percentage
Executive leadership Significant business experience and success at a senior executive level	100%
Financial analysis, risk management and reporting Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls and an ability to probe the adequacies of financial and risk controls	90%
Industrial services Senior executive or Board level experience in the industrial services industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	80%
Media industry Senior executive or Board level experience in the media industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	60%
Energy, oil and gas Senior executive or Board level experience in the energy, oil and gas industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	40%
Technology Senior executive or Board level experience in the strategic use and governance of information management, information technology as well as the oversight of implementation of major technology projects	40%
Strategy and corporate activity Track record in identifying, developing and implementing a successful strategy, including appropriately probing and challenging management on the delivery of strategic objectives and developing an asset or investment over the long-term	100%
Corporate governance and regulatory Commitment to the highest standards of corporate governance, including senior executive or Board experience with an organisation that is subject to rigorous governance and regulatory standards	100%
Remuneration and people Board remuneration committee membership or Senior executive experience relating to workplace health and safety, managing people and remuneration, including incentive arrangements and the legislative framework governing employees and remuneration.	90%

Remuneration & Nomination Committee

The Board has established a Remuneration & Nomination Committee comprised of the following members, all of whom are Independent Directors except for Mr Warwick Smith AO:

- Mr Terry Davis (Chairman)
- Mr Richard Uechtritz (Former Chairman)
- Ms Annabelle Chaplain
- Mr Warwick Smith AO

The Remuneration & Nomination Charter is available on the Company's website. The Charter provides that the Committee must consist of a minimum of three members and must have a majority of Independent Directors, all of whom must be Non-Executive Directors. Attendance at Committee meetings by management is at the invitation of the Committee. Directors who are non-Committee members may also attend any meeting of the Committee by invitation.

The Chairman of the Committee reports to the Board on the Committee's considerations and recommendations. Further details concerning the Remuneration & Nomination Committee's role in relation to Board appointments are set out in this Corporate Governance Statement under the heading "Principle 1 – Lay Solid Foundations for Management and Oversight" and under "Principle 8 – Remunerate Fairly and Responsibly" in relation to its role regarding the Company's remuneration arrangements.

Director induction and ongoing training

As part of the induction process, Board appointees attend a briefing with the Executive Chairman, meet with the Company Secretary about the Company's corporate governance framework, visit key business sites and meet with senior executives. In addition to the induction process for new Director appointments, from time to time, Directors attend external education seminars and peer group meetings regarding regulatory and compliance developments. The Company arranges presentations to the Board by Executives to update the Directors on the Group's business activities, as well as industry and regulatory developments.

The Director induction and ongoing training programs are reviewed to consider appropriate opportunities for Director development having regard to the desired skills and competencies for Board members as well as emerging governance issues. During the year, Directors were briefed on regulatory and reporting developments, including changes to the ASX Corporate Governance Principles and accounting standards, as well as the implementation of risk management programs and culture and behaviour reviews and initiatives across the Group.

Effective functioning of the Board

The Board, under the terms of appointment of Directors and by virtue of their position, is entitled to access, and is provided with, information concerning the Group needed to discharge its duties efficiently. Directors are entitled, and encouraged, to request additional information if they believe that is necessary to support informed decision-making. Directors are able to obtain independent professional advice to assist them in carrying out their duties, at the Company's expense.

PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Core Values

In accordance with its Charter, the Board has approved the core values of the Company below which function as guiding principles and expectations for behaviour and the culture the Board and Management are seeking to embed across all the Group to assist in the achievement of the Company's strategic objectives as set out under Principle 2.

Disciplined

- We manage risk and create sustainable value with a focus on cost efficiency; and
- Invest in businesses where the investment opportunity exceeds the return requirements.

Performance

- Commitment to achieving our objectives and delivering acceptable outcomes;
- Delivery of results through a focus on cash flow and a strong balance sheet; and
- Pursue a culture of high performance that supports the achievement of long-term goals.

Accountable

- We take accountability for our actions;
- Ensure we deliver on our commitments; and
- Trust and empower our people to be accountable.

Agility

- The capacity to meet our challenges and achieve great outcomes; and
- Our ability to change and evolve our business and businesses.

Respect

- Drive a diverse and inclusive culture where we value people; and
- Engage constructively with all stakeholders to drive shareholder value.

Code of Conduct and other Company policies

The Board has adopted a Code of Conduct for Directors, available on the Company's website, which establishes guidelines for their conduct in matters such as ethical standards and the disclosure and management of conflicts of interests. Formal Employee Conduct Guidelines have been adopted by the Company for employees, including senior executives, and are available on the Company's website. These Guidelines help to guide employees on how to act and clarify how the Company expects employees to perform.

The Board has implemented a number of other policies and procedures to maintain confidence in the Company's integrity and promote ethical behaviour and responsible decision-making, including the following policies which are available on the Company's website:

- Continuous Disclosure policy
- Director Share Trading and Executive and Staff Share Trading policies
- Diversity policy
- Whistleblower policy
- Fraud and Corruption policy

The Company's Share Trading policies establish the governing principles for trading in Company shares by Directors, Executives and staff. The Company's Whistleblower Policy, which includes an external reporting 'hotline', encourages the reporting and investigation of unethical and unlawful practices and matters of concern. The Company's Fraud and Corruption policy prohibits all Company Directors, employees, contractors and business partners giving bribes or other improper payments or benefits to public officials and material breaches of the policy must be reported to the Board and the Audit & Risk Committee.

The Company requires compliance with Company policies by employees under the terms of their employment and carries out training of employees in relation to its policies and procedures.

The Company and its controlled subsidiaries, as applicable, uphold and maintain the following ethical standards:

- General statutory requirements and regulations of the Corporations Act, ASX Listing Rules and Income Tax Assessment Act;
- Equal employment opportunity and affirmative action;
- Encouraging high standards of safe work practices and implementing Occupational Health and Safety compliance procedures;
- Policy of community service through charitable organisations; and
- Policy of responding to national disasters and tragedies.

The Company assesses the Group as part of its compliance with the National Greenhouse and Energy Reporting Act and will be reporting relevant emissions and energy usage and production for the Group for the financial year.

PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

Audit & Risk Committee

The Audit & Risk Committee comprises the following members, all of whom are Independent Directors except for Mr Warwick Smith AO:

- Ms Annabelle Chaplain (Chairman)
- Ms Kate Farrar
- Mr David McEvoy
- Mr Chris Mackay
- The Hon Warwick Smith AO

Ms Chaplain possesses extensive professional experience on Audit and Risk Committees of substantial Australian listed companies and her career includes senior roles in investment banking, financial services, mining, engineering and major infrastructure services companies. Mr Mackay, a former investment banker and corporate and banking lawyer, has financial expertise and considerable experience in business management, capital allocation, risk management and investment. Mr McEvoy brings significant Board experience and expertise in accounting matters and operations, including relating to the oil and gas industries as well as extensive risk management experience. Over the course of a highly distinguished career, Mr Smith has held a variety of senior roles in finance, banking and government and is considered to possess financial expertise. Ms Kate Farrar was appointed to the Audit & Risk Committee on 14 August 2019 to provide further depth and expertise on that Committee and brings significant finance, investment and management and board experience to the Committee.

CORPORATE GOVERNANCE STATEMENT

The Audit & Risk Committee has adopted a formal Charter which is available on the Company's website.

The Committee's key responsibilities in respect of its audit function are to assist the Board in fulfilling its responsibilities in relation to:

- the accounting and financial reporting practices of the Company and its subsidiaries;
- the consideration of matters relating to the internal controls and systems of the Company and its subsidiaries;
- reviewing the process to verify the integrity of any periodic corporate report the Company releases to the market that is not audited or reviewed by the External Auditor;
- the identification and management of financial and non-financial risk; and
- the examination of any other matters referred to it by the Board.

The Audit & Risk Committee is also responsible for:

- making recommendations to the Board on the appointment (including procedures for selection), and where necessary, the replacement of the External Auditor;
- evaluating the overall effectiveness of external audit function through the assessment of external audit reports and meetings with the External Auditor;
- reviewing the External Auditor's fees in relation to the quality and scope of the audit with a view to ensuring that an effective, comprehensive and complete audit can be conducted for the fee; and
- reviewing the External Auditor's fees for non-audit work and assessing whether non-audit services provided by the External Auditor are consistent with maintaining the External Auditor's independence.

The Audit & Risk Committee's key responsibilities in respect of its risk function are set out below under "Principle 7 – Recognise and Manage Risk". Attendance at Committee meetings by management is at the invitation of the Committee. Directors who are non-Committee members may attend any meeting of the Committee by invitation.

External Audit function

The Audit & Risk Committee meets periodically with the External Auditors without management being present.

Each reporting period, the External Auditor provides an independence declaration in relation to the audit. Additionally, the Audit & Risk Committee provides advice to the Board in respect of whether the provision of non-audit services by the External Auditor are compatible with the general standard of independence of auditors imposed by the Corporations Act.

The Company's External Auditor attends all Annual General Meetings and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the Auditor's report.

Declarations by the MD & CEO and CFO

Before the Board approves the financial statements for each of the half-year and full year, it receives from the MD & CEO and the CFO a written declaration that, in their opinion, the financial records of the Company have been properly maintained and the financial statements are prepared in accordance with the relevant accounting standards and present a true and fair view of the financial position and performance of the consolidated group. These declarations also confirm that these opinions have been formed on the basis of a sound system of risk management and internal compliance and control which is operating effectively.

To assist the MD & CEO and the CFO in making their declarations to the Board in relation to the for each of the half-year and full year, and to ensure integrity in corporate reporting and good governance, a detailed questionnaire is distributed to senior management across the Group, including business unit Chief Executives and business unit Chief Financial Officers as well as other selected key senior managers, requiring confirmation from each of them that financial and accounting controls have been in place and adhered to, Company codes or policies have not been breached, risks have been appropriately managed, and that any matters requiring further consideration by senior group management are disclosed.

The required declarations from the Chief Executive Officer and Chief Financial Officer have been given to the Board for the half-year ended 31 December 2018 and financial year ended 30 June 2019.

Verification of Integrity of Periodic Corporate Reports

Corporate reports which are not audited or reviewed by the external auditor are prepared by Executive Management by reference to company records and systems, with external professional assistance where appropriate. Such reports, as are included in the non-audited sections of this Annual Report, are submitted to a Committee or the Board for consideration. The detailed questionnaire distributed to senior management across the Group as part of the Company's periodic reporting procedures, referred to above, is a feature of the verification process in relation to corporate reporting on the Company's policies and compliance.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company is committed to complying with the disclosure obligations of the Corporations Act and the Listing Rules of the ASX and has adopted a Continuous Disclosure Policy which is available on the Company's website.

Media releases, half yearly and yearly financial reports and results presentations are lodged with ASX and upon confirmation of receipt by ASX, they are posted to the Company's website.

In order to protect against inadvertent disclosure of price sensitive information, the Company imposes communication 'blackout' periods for financial information between the end of financial reporting periods and the announcement of results to the market.

The Board receives copies of all announcements under Listing Rule 3.1 promptly after they have been made.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Communications with security holders

As disclosed in the Shareholder Communications Policy, which is available on the Company's website, the Board aims to ensure that security holders are informed of all major developments affecting the Company's state of affairs and that there is effective two-way communication with security holders. The Company adopted a communications strategy that promotes effective communication with security holders, principally through ASX announcements, the Company website, the provision of the Annual Report, including the financial statements, and the Annual General Meeting (and any extraordinary meeting held by the Company) and notices of general meetings. Shareholders are encouraged to participate in general meetings and are invited to put questions to the Chairman of the Board in that forum.

Security holders are given the option to receive communications from, and to send communications to, the Company and the Company's Share Registry electronically, to the extent possible. The Board continues to review its channels of communications with security holders for cost effectiveness and efficiencies, including using electronic delivery systems for security holder communications where appropriate. The Company continues to implement campaigns to encourage security holders to elect to receive all security holder communications electronically to help reduce the impact on the environment and cost associated with printing and sending materials by post.

It is the Company's policy that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

The Company's website

The Company's website www.sevengroup.com.au provides various information about the Company, including:

- overviews of the Company's operating businesses, divisions and structure;
- biographical information for each Director;
- biographical information for members of the Executive Management team;
- copies of Board and Committee Charters;
- Corporate Governance Policies;
- Annual Reports and Financial Statements;
- announcements to ASX;
- security price information;
- contact details for the Company's Share Registry; and
- details concerning the date of the Annual General Meeting, including the Notice of Meeting, when available.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk oversight and management

The Board recognises that the management of financial and non-financial risk is an integral part of its operations and has established policies and procedures for the oversight and management of material business risks, including the establishment of the Audit & Risk Committee. Details regarding the Committee are set out under "Principle 4 – Safeguard the Integrity of Corporate Reports". The Board also believes a sound risk management framework should be aimed at identifying and delivering improved business processes and procedures across the Group which are consistent with the Group's commercial objectives. Under the Audit & Risk Committee's Charter, the Committee's key responsibilities in respect of its risk function are to:

- Oversee, evaluate and make recommendations to the Board in relation to, the adequacy and effectiveness of the risk management framework and the risk management systems and processes in place, and be assured and in a position to report to the Board that all material risks have been identified and appropriate policies and processes are in place to manage them.
- Review and approve management's annual report on the effectiveness of the risk management systems and internal control framework.
- Review reports from management on new and emerging sources of financial and non-financial risk and the risk controls and mitigation measures that management has put in place to deal with those risks.
- Review, at least annually, the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk, and report to the Board regarding its review and any recommended changes to the Company's risk management framework.
- Review, and make recommendations to the Board in relation to, the Company's insurance program and other risk transfer arrangements having regard to the Company's business and the insurable risks associated with it, and be assured that appropriate coverage is in place.
- Monitor compliance with applicable laws and regulations, review the procedures the Company has in place to ensure compliance and be assured that material compliance risks have been identified.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding fraud or non-compliance with applicable laws and regulations and the confidential, anonymous submission by employees of the Company of any concerns regarding business practices.
- Review, and make recommendations to the Board in relation to, any incidents involving fraud or other break down of the Company's internal controls.

CORPORATE GOVERNANCE STATEMENT

The Board requires management to design and implement a risk management and internal control system to manage the Group's material business risks and report to it on the management of those risks. During the reporting period, management reported to the Board as to the effectiveness of the Company's management of its material business risks, including the following:

– the Audit & Risk Committee reviewed the Group's risk reporting and risk management framework consistent with Australian Standard ISO 31000:2009;
– the Committee received risk briefings at its meetings from external auditors, management, Head of Internal Audit and Process Improvement concerning review of the Group's key business operations. The Group's business divisions provide regular reporting on workplace safety practices and management within the Group;
– the Committee conducted periodic as well as the annual review of the Company's risk management framework and satisfied itself that the framework continues to be sound and effectively identifies potential risks; and
– the Company businesses conducted risk reviews and assessments which identified, assessed and ranked the main strategic risks, including material business risks, facing the Group's businesses in respect of which management has implemented internal risk controls and mitigation strategies for those risks.

Internal Control Framework

Throughout the financial year the Company's Internal Audit and Process Improvement function evaluated the effectiveness of the Company's governance, risk management and internal control processes by conducting detailed reviews in the areas of accounting, technology, information and business operations The Internal Audit function has access to the Company's records, information systems, properties and personnel in order to conduct its activities. The Audit & Risk Committee reviewed and approved the Internal Audit plan, its resourcing and monitored its independence and performance. Internal Audit reviews carried out in accordance with the Internal Audit plan were reported to the Committee which reviews and ensures ownership by management in regard to Internal Audit's findings and recommendations and management's responsiveness to any required action items.

The Internal Audit function has traditionally required a combination of internal and external resourcing, with external resourcing being engaged to conduct highly specialised reviews or to access particular professional or technical expertise. During the year, as part of a Request for Proposal process, external accounting and consulting firms with suitable capability were invited to make submissions to provide services to enhance the Company's Internal Audit function. Following evaluation by the Audit & Risk Committee of a shortlist of providers and submissions, Ernst & Young were appointed to conduct the Company's Internal Audit reviews, under in-house oversight, for the financial year commencing from 1 July 2019. The Board considers that this appointment provides an enhanced level of capability, providing technical depth from a leading audit firm. This will embed a stronger risk and compliance culture across the organisation, whilst drawing on best practice and knowledge across operational and emerging issues. Additionally, economies of scale and process improvement benefits will be realised through the co-ordination of various assurance and control testing activities across the Group entities and businesses. Efficiencies will also be gained by the externally resourced Internal Audit function working closely with the Group's external auditor, Deloitte, to ensure audit efforts are not duplicated and Internal Audit work can be relied upon.

Risk Management Policy

The Company has adopted a Risk Management Policy to:

– ensure there is a consistency in the methods used in assessing, monitoring and communicating risks throughout the Company and that risk management efforts are aligned with the Company's strategic and business objectives; and
– promote a balanced approach to risk and return and to ensure that the Board knows in advance the risks of the business. A summary of the Company's Risk Management Policy is available on the Company's website.

Material risks

Under the risk framework described above, the Company has identified investment, financial and operational risks which it manages and mitigates. Each of the foregoing material business risks is monitored and managed by appropriate senior management within the Company who are delegated responsibility to manage or escalate issues to the Company's senior executive team. Where appropriate, external advisers are engaged to assist in managing the risk. More detail concerning these risks, the Company's economic sustainably risks and how it manages those risks is set out in the Operating and Financial Review of this Annual Report on pages 34 to 37. The Company does not believe it has any material exposure to environmental or social sustainability risks.

Commentary on the Company's environmental compliance and human capital related initiatives as well as its community engagement is provided on pages 38 to 45 of this Annual Report.

Workplace Safety

The Company is committed to providing a safe workplace and maintains comprehensive workplace safety policies and systems which are managed by health and safety specialists within the Company.

Management provides leadership by promoting a culture of safety and risk identification and monitors and responds to incident reporting and provides regular workplace safety updates and briefings to the Board. Additionally, to support well-being within the workplace, the Company provides preventative health checks, information seminars on a range of topics including mental health and a free and confidential external counselling service for employees and their immediate families. Refer to pages 46 to 51 of this Annual Report for more information on the Group's workplace safety practices within WesTrac, Coates Hire and AllightSykes, the Group's predominant operating businesses.

Environment and Sustainability

The Company is mindful of climate change and managing the environmental impact of its operations. Environmental risks are considered as part of the Company's risk assessment processes. Refer to pages 38 to 45 of this Annual Report for more information on the Group's environmental practices and efforts to minimise the environmental footprint of its businesses.

For the Company's climate change-related commentary and disclosure, refer to pages 46 to 51 of this Annual Report.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Directors consider that the attraction, retention and motivation of its Directors and senior executives is of critical importance in securing the future growth of the Company, its profits, share price and shareholder returns.

Remuneration & Nomination Committee

To assist in the adoption of appropriate remuneration practices, the Board has established a Remuneration & Nomination Committee. Details regarding the Committee are set out under "Principle 2 – Structure the Board to be Effective and Add Value". The primary responsibilities of the Committee which relate to remuneration are:

- to review and advise the Board on Directors' fees and the remuneration packages, including equity incentive grants, of the MD & CEO, Chief Executives and senior executives of the Group;
- to ensure the company has a rigorous and transparent process for developing its remuneration policy and for fixing the remuneration packages of directors and senior executives, in light of the objective that the company's remuneration framework is aligned with the company's strategic objectives, values, purpose and risk appetite;
- to provide advice and support and serve as a sounding-board for the MD & CEO and the Board in human resource and remuneration-related matters;
- to advise on succession planning and employee development policies; and
- to review and monitor the implementation of, the Company's remuneration framework to confirm it:
  - encourages and sustains a culture aligned with the Company's values;
  - supports the Company's strategic objectives and long-term financial soundness; and
  - is aligned with the Company risk management framework and risk appetite.

It is the practice for the MD & CEO to attend meetings of the Remuneration & Nomination Committee to report on, or seek approval of, senior Group Management's remuneration, but he is not present during meetings of the Committee (or the Board) when his own performance or remuneration are being discussed or reviewed.

Remuneration of Non-Executive Directors

The aggregate remuneration for Non-Executive Directors is approved by shareholders. Fees for Directors are set out in the Remuneration Report on pages 76 to 93.

In contrast to Executive Directors and senior executives, Non-Executive Directors do not receive performance related payments, although they may receive additional payments at the discretion of the Board where appropriate in relation to special services that they perform for the Company. Throughout the financial year no such additional fees were paid to Non-Executive Directors. Fees for Non-Executive Directors are set out in the Remuneration Report on page 86 and page 93.

No retirement benefits apply in respect of Company directorships other than superannuation contributions.

Remuneration of Executive Directors and senior executives

The objective of the remuneration process for Executive Directors and senior executives is to ensure that remuneration packages properly reflect the duties and responsibilities of employees and that remuneration is at an appropriate but competitive market rate which enables the Company to attract, retain and motivate people of the highest quality and best skills from the industries in which the Company operates. This policy provides for the MD & CEO to consider the remuneration packages paid within the industry and the impact these people are expected to have on the operational and financial performance of the Company.

Remuneration packages may be structured to include bonuses, options or share-based payments and the Company has established Share and Option Plans for that purpose. The payment of bonuses is based on the achievement of specific goals which relate to the performance of the Company or as otherwise specified in the relevant employment contracts. Options, performance share rights and share appreciation rights are issued as a part of remuneration packages where they are considered appropriate, with exercise prices and hurdle rates which reflect the long-term objectives of the Company.

Remuneration matters concerning WesTrac and Coates Hire Executives who are Key Management Personnel (KMP) of the Company are brought to the Remuneration & Nomination Committee for its consideration. Otherwise, WesTrac's and Coates Hire's remuneration arrangements and approvals are generally respectively overseen by a WesTrac Executive Committee and Coates Hire Executive Committee within a budget approved by the Board and reported to the Remuneration & Nomination Committee.

Remuneration policy matters as well as regular reports concerning industrial relations and Enterprise Agreements relating to WesTrac and Coates Hire are brought to the Remuneration & Nomination Committee or Board for review and/or approval as appropriate.

The Remuneration & Nomination Committee met after the end of the financial year to review and recommend to the Board any performance-based remuneration for the MD & CEO during the financial year as well as for Executive Management. This process and the outcomes for KMP are summarised in the Remuneration Report.

Hedging Policy

The Company's Group Directors Share Trading Policy, and the Executive and Staff Share Trading Policy, prohibit employees KMP from dealing in the Company's shares, if the dealing is prohibited under the Corporations Act. Therefore, in accordance with this policy, all KMP are prohibited from entering into arrangements from entering into arrangements which operate to limit the executives' economic risk in connection with Seven Group Holdings securities which are unvested or remain subject to a holding lock. The ability to deal with unvested rights is restricted in the Employee Share Option Plan and LTI Plan rules, which apply to any options over shares in the Company which may be granted from time to time. Further details relating to remuneration and the Company's remuneration policy, framework and structure are contained within the Remuneration Report on pages 75 to 93.

This statement has been approved by the Board and is current as at 21 August 2019.

DIRECTORS' REPORT

For the year ended 30 June 2019

The Directors present their report together with the consolidated financial statements of the Group consisting of Seven Group Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019 and the auditor's report thereon.

BOARD

The following persons were Board members of Seven Group Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Kerry Matthew Stokes AC (Executive Chairman)

Ryan Kerry Stokes (Managing Director & Chief Executive Officer)

Sally Annabelle Chaplain

Terry James Davis

Kate Leigh Farrar (appointed 18 February 2019)

Christopher John Mackay

David Ian McEvoy

Bruce Ian McWilliam

The Hon Warwick Leslie Smith AO

Richard Anders Uechtritz

Particulars of their qualifications, experience, special responsibilities and any directorships of other listed companies held within the last three years are set out in this Annual Report under the headings "Board of Directors" and "Corporate Governance Statement" on pages 54 to 55 and form part of this report.

Mr Warren Walter Coatsworth has been Company Secretary of Seven Group Holdings Limited since 28 April 2010 and has been Company Secretary of Seven West Media Limited since April 2013.

Mr Coatsworth is a solicitor holding a current practising certificate with degrees in Arts and Law (Hons) from the University of Sydney. He holds a Masters of Law in Media and Technology Law from the University of New South Wales as well as a Graduate Diploma in Applied Corporate Governance. He is a qualified Chartered Company Secretary and a Fellow and member of the Governance Institute of Australia.

Mr Coatsworth has extensive experience as Legal Counsel at the Seven Network advising broadly across the company and was formerly a solicitor at Clayton Utz.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were those of a diversified operating and investment group; with interests in heavy equipment sales and service, equipment hire, media, broadcasting and energy assets.

There were no significant changes in the nature of the Group's principal activities during the financial year.

BUSINESS STRATEGIES, PROSPECTS AND LIKELY DEVELOPMENTS

Information on the Group's operations and the results of those operations, financial position, business strategies and prospects for future financial years has been included in the "Operating and Financial Review" on pages 26 to 31.

The Operating and Financial Review also refers to likely developments in the Group's operations in future financial years and the expected results of those operations. Information in the Operating and Financial Review is provided to enable shareholders to make an informed assessment about the operations, financial position, business strategies and prospects for future financial years of the Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant change in the state of affairs of the Group occurred during the financial year:

On 22 August 2018, the Company announced an offer for TELYS4 shareholders to convert at a premium their TELYS4 into ordinary shares. The proposal would enable the Company to unify its capital structure and increase its free float, market capitalisation and index weighting. TELYS4 shareholders approved the proposal at a general meeting held on 24 September 2018. 4,963,640 TELYS4 were converted into 22,872,448 additional ordinary shares and TELYS4 shares were suspended from quotation on 28 September 2018.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Bivins Ranch

Apache Corporation announced the sale of its US Midcontinent asset portfolio on 18 July 2019 to Presidio Investment Holdings LLC for US$612 million. The portfolio includes multiple assets located in Oklahoma, Kansas and Texas, including Bivins Ranch. The Group is currently working through the transition in operatorship and field development activity going forward. This will allow the Group to form a view on value. Critical accounting estimates and valuation sensitivities relating to Bivins Ranch are included in Note 13: Producing and Development Assets.

Movement in share prices of listed investments

Subsequent to year end, there has been movement in the share prices of listed investments and as a result the value of the Group's investments have varied from what is presented in the financial report. Refer to Note 29: Events Subsequent to Balance Date for further detail.

Except for the above, there are no other matters or circumstances which have arisen since 30 June 2019 that have significantly affected or may significantly affect:

(a) the Group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2019, and the number of those meetings attended by each Director, were:

	BOARD		AUDIT & RISK		REMUNERATION & NOMINATION		INDEPENDENT & RELATED PARTY	
Director	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
KM Stokes AC	9	9	–	–	–	–	–	–
RK Stokes	9	9	8	8	4	4	–	–
SA Chaplain	9	9	8	8	4	4	2	2
TJ Davis	9	9	1	1	4	4	2	2
KL Farrar*	4	3	1	1	–	–	–	–
CJ Mackay	9	9	8	8	–	–	2	2
DI McEvoy	9	9	8	8	–	–	2	2
BI McWilliam	9	9	8	8	–	–	–	–
WL Smith AO	9	7	8	7	4	3	–	–
RA Uechtritz	9	9	–	–	4	3	2	2

(a) The number of meetings held while the Director concerned held office during the year.
(b) The number of meetings attended. Please note Directors may attend meetings of Committees of which they are not a formal member, and in these instances, their attendance is also included in the above. A Director may also have been absent from a meeting, or part thereof, if there was a conflict of interest.
* Appointed 18 February 2019.

DIVIDENDS – ORDINARY SHARES

Since the start of the financial year, a final fully franked dividend for the 2018 financial period of 21.0 cents per share, amounting to $66.5 million, was paid on 8 October 2018.

Since the start of the financial year, an interim fully franked dividend for the 2019 financial year of 21.0 cents per share, amounting to $71.2 million, was paid on 18 April 2019.

A final fully franked dividend for the 2019 financial year of 21 cents per share, amounting to $71.2 million will be paid on 11 October 2019, based on the number of issued shares at the date of this report.

ENVIRONMENTAL DISCLOSURE

In respect of the environmental regulations under any laws of the States, Territories and Commonwealth of Australia, the significant regulations that apply to the media operations of the entities that the Company holds investments in are those guidelines and standards issued by the Australian Communications and Media Authority.

It is the Directors' understanding that the Group is fully compliant with the provisions of these guidelines and standards. Various State Environmental Protection Authorities have issued licenses to the Company under the laws of the respective States. All requirements and conditions of these licenses have been complied with to the satisfaction of the issuing authority.

The Company assesses the Group as part of its compliance with the National Greenhouse and Energy Reporting Act and will be reporting relevant emissions and energy usage and production for the Group for the financial year to the Clean Energy Regulator.

The Group is also subject to significant environmental regulations in respect of resources exploration, development and production activities. The Group is committed to undertaking all of its exploration, development and production activities in an environmentally responsible manner. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of those environmental requirements as they apply to the resources operations of the Group.

There are no other particular and significant environmental regulations under a law of the Commonwealth or of a State or Territory applying to the Group.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES

The relevant interest of each Director in ordinary shares, options, performance rights or share rights issued by the companies within the Group at the date of this report is as follows:

DIRECTORS' HOLDINGS OF SEVEN GROUP HOLDINGS LIMITED SECURITIES

	Ordinary Shares	Options over Ordinary Shares	Performance Rights	Share Rights
KM Stokes AC	207,304,349	Nil	Nil	Nil
RK Stokes	423,397	Nil	Nil	38,215
SA Chaplain	31,339	Nil	Nil	Nil
TJ Davis	96,064	Nil	Nil	Nil
K Farrar	2,750	Nil	Nil	Nil
CJ Mackay	10,000	Nil	Nil	Nil
DI McEvoy	31,339	Nil	Nil	Nil
BI McWilliam	192,665	Nil	7,968	3,236
WL Smith AO	40,800	Nil	Nil	Nil
RA Uechtritz	484,170	Nil	Nil	Nil

OPTIONS OR PERFORMANCE RIGHTS GRANTED OVER ORDINARY SHARES IN SEVEN GROUP HOLDINGS LIMITED

At the date of this report, there are 38,215 deferred share rights in the Company that were issued to Mr R Stokes under the Company's FY18 Short-term Incentive Plan (STI Plan). In addition, there are 99,581 deferred share rights to other Executives under the FY18 STI Plan. An award of 133,383 deferred share rights was made to KMP Executives on 1 July 2019 under the Company's 2019 STI Plan.

261,297 performance rights granted under the FY16 LTI Plan will vest following testing of the performance hurdles, resulting in 100 per cent of the award vesting.

PERFORMANCE RIGHTS

Award	Grant date	Expiry	Number
2017 LTI Plan	1 Jul 16	1 Sep 20	386,461
2018 LTI Plan	1 Jul 17	1 Sep 20	267,837
2018 LTI Plan	25 Oct 17	1 Sep 20	24,004
2019 LTI Plan	1 Jul 18	1 Sep 21	278,119
2020 LTI Plan	1 Jul 19	1 Sep 22	213,317
TOTAL			1,169,738

These rights do not carry an entitlement to participate in any share issue. Rights were granted for nil consideration.

No other options or rights have vested or been exercised during or since the end of the financial year, nor have they expired.

CONVERTIBLE NOTES

3,500 Convertible Notes (Notes) were approved by shareholders at the 2018 AGM. These Notes are listed on the Singapore Exchange and mature seven years from their issue date at their nominal value. The total number of ordinary shares which will be issued if the Notes are converted is 14,583,333. At the date of this report, no Notes had been converted.

REMUNERATION REPORT

Year ended 30 June 2019

MESSAGE FROM THE REMUNERATION & NOMINATION COMMITTEE

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Report for the 2019 financial year, which sets out remuneration information for Key Management Personnel and Non-Executive Directors. The Remuneration Report demonstrates to our shareholders the alignment between the Company's strategic objectives, business performance and Executive KMP remuneration outcomes.

STRONG LEADERSHIP AND FINANCIAL PERFORMANCE

The Group's growth continues to be driven by the strong performance of its operating businesses and other investments. Key commercial highlights over the year include:

– Total revenue from operations was $4,084.0 million, a year-on-year increase of 27%;
– Underlying EBIT from operations was $695.1 million, a year-on-year increase of 40%;
– Conversion of TELYS4 to evolve the Group's financial structure;
– Significant growth in the value of the investment portfolio which includes greater investment in Beach Energy;
– Strong sales momentum across our core businesses through an ongoing focus on putting customers first resulting in key account wins by WesTrac including BHP Southflank Ancillary and Rio Koodaideri; and
– Delivery of the new WesTrac facility in Casula, focusing on customer service and productivity improvement.

FY19 REMUNERATION OUTCOMES

Remuneration outcomes in FY19 continue to reflect the strength of business performance in the year that includes:

– Outperformance against key financial metrics by SGH and WesTrac;
– Strong performance against non-financial metrics, both strategic and operational; and
– Notable year-on-year improvement in safety performance across the Group.

Short-term Incentive outcomes for FY19 ranged from 25% to 123% of target, clearly linking reward to actual performance and business outcomes. Some executives received above target awards where performance exceeded expectations. Similarly where performance targets set by the Board were not met, this was also reflected in award outcomes.

Performance rights granted under the FY16 Long-Term Incentive Award were tested against their performance hurdles following the conclusion of the performance period on 30 June 2019. The Company's relative Total Shareholder Return and Earnings Per Share performance over the three-year period resulted in 100% of the grant vesting.

NON-EXECUTIVE DIRECTOR FEES

Following the appointment of an additional independent Non-Executive Director, Ms Kate Farrar, the Board undertook a review of Non-Executive Director fees against market. As a result of the review, Non-Executive Director fees have been marginally increased with effect from 1 April 2019.

The Board continues to review the Company's remuneration structure to better align with strategic objectives and the delivery of shareholder returns. The Board acknowledges the many stakeholders who have shared their feedback and will continue to proactively work with shareholders and their representatives to ensure the Company's remuneration framework remains competitive and fit for purpose.

We look forward to welcoming you to our 2019 AGM.

Yours faithfully

Terry Davis
Chairman of the Remuneration & Nomination Committee

REMUNERATION REPORT

REMUNERATION REPORT – AUDITED

This Remuneration Report for the year ended 30 June 2019 (FY19) outlines the remuneration arrangements of the Company and the Group in accordance with the *Corporations Act 2001* (the Corporations Act) and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act.

The Remuneration Report is presented under the following main headings:

1. INTRODUCTION

The Remuneration Report outlines key aspects of the Company's remuneration policy and framework and provides details of remuneration awarded to Key Management Personnel (KMP) during FY19.

KMP includes Executive Directors, Non-Executive Directors and certain senior executives of the Group who have authority and responsibility for planning, directing and controlling the activities of the Group (Group Executives). Executive Directors (excluding the Executive Chairman) and Group Executives are hereafter collectively referred to in this report as KMP Executives.

The Group's KMP for FY19 are listed in the table below.

Executive Directors	
Kerry Matthew Stokes AC	Executive Chairman
Ryan Kerry Stokes	Managing Director & Chief Executive Officer (MD & CEO)
Bruce Ian McWilliam[(a)]	Commercial Director

Non-Executive Directors	
Sally Annabelle Chaplain	Director
Terry James Davis	Director
Katherine Leigh Farrar	Director (Appointed 18 February 2019)
Christopher John Mackay	Director
David Ian McEvoy	Director
Warwick Leslie Smith AO	Director
Richard Anders Uechtritz	Director

Group Executives	
Gitanjali Bhalla	Group Executive, People & Culture
Jarvas Ernest Croome	Chief Executive Officer, WesTrac
Jeff Dale Fraser[(b)]	Chief Executive Officer, Coates Hire
Richard Joseph Richards	Group Chief Financial Officer (Group CFO)
Murray John Vitlich[(b)]	Group Chief Operating Officer

(a) Mr B McWilliam will retire from the Board at the 2019 Annual General Meeting.

(b) Mr J Fraser retired effective 31 July 2019. Mr M Vitlich was appointed Chief Executive Officer (Acting), Coates Hire effective 24 July 2019.

2. SUMMARY OF PERFORMANCE AND INCENTIVE OUTCOMES IN FY19

This section summarises how the Company's performance for FY19 links to remuneration outcomes for KMP Executives.

The Board reviews the strategic focus and direction of the Group, taking into account market opportunity, economic climate and shareholder expectations. This is a rigorous process which includes setting challenging performance targets for management and directly aligns executive incentives to the achievement of those targets. Where performance does not meet targets, executives derive no benefit from their 'at risk' incentive components.

FY19 was another year of strong performance for the Company with exposure to the mining production cycle, infrastructure activity and East Coast gas. These elements alongside the capability of the Executive Management team to lead and execute has delivered the following business outcomes:

- Total revenue from operations was $4,084.0 million, a year-on-year increase of 27%;
- Results ahead of budget and guidance as evidenced by FY19 Group underlying EBIT from operations of $695.1 million, a year-on-year increase of 40%;
- Annual dividend of 42 cents per share fully franked;
- Key account wins by WesTrac including BHP Southflank Ancillary and Rio Koodaideri;
- Delivery of the new WesTrac facility in Casula, focusing on customer service and productivity improvement;
- Significant growth in the value of the investment portfolio which includes greater investment in Beach Energy;
- Conversion of TELYS4 to evolve the Group's financial structure; and
- Improvements in safety performance across all businesses.

The outcomes recognise the strength of the operating performance of the underlying businesses, the capturing of market opportunity and strong capital management that maintained shareholder value.

As a result of financial performance and shareholder returns delivered in FY19, Short-term Incentive (STI) payments were made to KMP Executives who contributed to the strategic and operational performance of the Group. In making STI determinations, KMP Executives were evaluated against financial and non-financial targets specific to their role, which resulted in a range of STI outcomes with above-target awards for strong performance to below-target awards where short-term targets were missed, demonstrating the strong alignment between pay and performance.

Vesting outcomes from prior periods

The three year performance period for performance rights granted as part of the FY16 Long-term Incentive (LTI) award completed on 30 June 2019. Performance against both the relative Total Shareholder Return (TSR) and Earnings Per Share (EPS) hurdles were both met and as a result the award vested in full.

Impact of accounting for cash settled awards

For some KMP Executives, their circumstances dictate that the equity awards they receive are cash-settled. While the value granted follows an identical calculation and allocation mechanism taking into account the same vesting terms and conditions as other KMP Executives, the accounting valuation for cash-settled equity may reflect a higher or lower value in the remuneration tables in section 11.B due to share price volatility over the performance period.

This is in line with the requirement in AASB2: Share Based Payments where the fair value of cash settled equity awards is re-measured at each reporting period, unlike equity settled awards where the fair value is calculated at the grant date.

3. REMUNERATION GOVERNANCE

Role of the Remuneration & Nomination Committee

The role and responsibilities of the Remuneration & Nomination Committee (the Committee) are explained in detail in the Corporate Governance Statement.

The key responsibilities of the Committee are summarised below and include the following:

- Make recommendations to the Board in relation to the remuneration of the MD & CEO and Non-Executive Directors, as necessary, or as requested by the Board;
- Review and make recommendations to the Board on all proposed equity offers and grants made pursuant to the Company's equity plans and the overall functioning of the equity plans; and
- Review and advise on senior management succession planning and employee development policies, as requested by the Board or the MD & CEO.

During the financial year, Committee membership remained unchanged and comprised of:

Mr Terry Davis (Chair);

Ms Annabelle Chaplain;

Mr Warwick Smith AO; and

Mr Richard Uechtritz.

Engagement of remuneration advisers

During FY19, Ernst and Young (EY) was engaged by the Company to provide information on market remuneration practices. In the course of providing this information, the Board is satisfied that EY did not make any remuneration recommendations relating to KMP as defined by the Corporations Act.

REMUNERATION REPORT

4. EXECUTIVE REMUNERATION PRINCIPLES: LINKING STRATEGY WITH OUTCOMES

Remuneration principles

The Group's executive remuneration structure has been designed to attract and retain high performing individuals, align executive reward to the Group's business objectives and to create long-term shareholder value.

The following diagram illustrates how the Group's remuneration principles are linked to, and support, the business' objectives and their alignment to the long-term interests of shareholders. Further details on the KMP Executive remuneration framework are set out in section 6 of the Remuneration Report.

BUSINESS OBJECTIVE

Deliver strong revenue and earnings growth in core operating businesses. Efficiently allocate capital to work with investee companies in which the Group has a significant stake to increase the value of its investments, ultimately maximising returns to shareholders.

REMUNERATION STRATEGY OBJECTIVES

Attract, Retain and Motivate

Ensure that remuneration packages properly reflect the duties and responsibilities of the employees and that the remuneration is at an appropriate, competitive market rate which enables the Group to attract, retain and motivate people of the highest calibre.

Create Shareholder Value

Ensure the Group's remuneration structures are equitable, and rewards are aligned to the creation of shareholder value, implementation of business strategy and delivering results.

Appropriate Remuneration Mix

Provide a balance between fixed remuneration and at-risk elements which encourages appropriate behaviour and outcomes over the short and long term. Ensure reward balances short-term delivery and long-term sustainability.

Drive High Performance

Implement targeted goals that encourage high performance and establish a clear link between executive remuneration and performance, both at Company and individual business unit levels.

REMUNERATION FRAMEWORK

	Fixed Remuneration (FR)	Short-term Incentive (STI)		Long-term Incentive (LTI)
		Cash	**Deferred Equity**	
Structure and purpose	FR consists of base salary and employer superannuation contributions. Non-monetary benefits are provided in addition to FR. Non-monetary benefits, as disclosed in the remuneration tables, include benefits paid for by the Company such as parking and associated FBT.	STI plan rewards Executives where they achieve stretch financial and non-financial performance measures. 50% of the total STI outcome is delivered as cash.	50% of the total STI outcome is delivered as deferred share rights that vest after two years, provided the Executive remains employed within the Group at the time of vesting.	The LTI plan provides for grants of performance rights to KMP Executives to align with shareholder outcomes.
Connecting to objectives	FR is set with regard to listed companies of a similar size and complexity taking into account the capability and experience of the individual. Paying market competitive remuneration ensures the attraction and retention of talent. Remuneration arrangements are reviewed by the Committee and where required external consultants may be requested to provide analysis and advice to ensure the KMP Executives' remuneration remains market competitive.	Performance is typically measured using a mix of goals which drive results and strategy such as Group underlying EBIT, cash flow, return on capital employed and other goals including: – Divisional EBIT performance; – Cash flow metrics; – Return on capital metrics; – Leadership, employee engagement, diversity and succession; – Operational efficiency; – Strategic execution; – Safety performance; and – Investment performance. If a minimum level of Group underlying EBIT is not attained, no incentive will be paid subject to the discretion of the Board.		This incentive does not become available to KMP Executives (vest) until (and unless) relative TSR for the three years after the grant is at 51st percentile or better than the ASX 100 (excluding Financials). Full vesting requires performance at or above the 75th percentile. The Executive's LTI does not vest in instances where TSR is less than the 51st percentile of the peer group.

Minimum shareholding guidelines for KMP Executives

The minimum shareholding requirement applies to KMP Executives to reinforce the Company's objective of aligning their interests with the interests of shareholders, and to foster an increased focus on building long-term shareholder value. The obligations impose a minimum level of shareholding based on the KMP Executive's length of service with the Group, as set out in the table below.

Years of service of KMP Executive	Minimum value of shares to be held by KMP Executive
5	20% of annual FR
10	40% of annual FR
15	60% of annual FR
20	80% of annual FR

As at 30 June 2019, all KMP Executives comply with the minimum shareholding guidelines. Shareholdings for each KMP are detailed in section 9 of the Remuneration Report.

5. LINK BETWEEN REMUNERATION AND GROUP PERFORMANCE

The remuneration framework of the Group is designed to reward superior performance including returns to shareholders.

Awards under the STI plan are based on performance against financial and non-financial measures. Group performance is linked to the STI plan through the Group underlying EBIT financial gateway and, where the financial gateway is exceeded, through measures set relevant to the responsibility of each Executive. Any resulting share rights delivered under the STI plan, which do not vest for two years, further aligns the outcomes of KMP Executives with the interests of shareholders.

Group performance is linked to the LTI plan through the relative TSR target.

The table below shows the Group performance in key areas for the last five financial years.

	2019	2018	2017	2016	2015
Statutory NPAT ($m)[(a)]	$219.2	$415.6	$46.2	$197.8	$(359.1)
NPAT (excluding significant items) ($m)[(a)(b)]	$478.9	$332.3	$215.4	$184.2	$204.3
Significant items ($m)	$(259.7)	$83.3	$(169.2)	$13.6	$(563.4)
Profit before significant items, net finance costs and tax (Group underlying EBIT) ($m)	$695.1	$514.1	$333.3	$302.8	$314.5
Dividends declared per ordinary share	$0.42	$0.42	$0.41	$0.40	$0.40
Share price at financial year end	$18.49	$19.03	$10.94	$6.01	$6.54
Statutory basic EPS[(a)]	$0.65	$1.27	$0.07	$0.60	$(1.29)
EPS (excluding significant items)[(a)]	$1.43	$1.00	$0.67	$0.56	$0.59
Diluted EPS (excluding significant items)[(a)]	$1.42	$0.98	$0.67	$0.56	$0.59
Total Shareholder Return	0.2%	81.3%	93.8%	2.4%	(4.2)%
Relative Total Shareholder Return	12.0%	69.1%	78.2%	(10.1)%	(20.0)%

(a) 2018 and 2017 figures are for continuing and discontinued operations.
(b) NPAT (excluding significant items) is a non-IFRS measure. This measure is applied consistently year on year and used internally by management to assess the performance of the business and hence is provided to enable an assessment of remuneration compared to Group performance. Refer to the Operating and Financial Review for reconciliation to statutory net profit after tax.

6. KMP EXECUTIVE REMUNERATION FRAMEWORK

The Group's remuneration structures have been developed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of value creation for the Company and shareholders.

Total remuneration comprises fixed and variable remuneration (which is dependent on the achievement of financial and non-financial performance measures). The Group aims to reward KMP Executives with a level and mix (comprising FR, STIs and LTIs) of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with market practice.

The Group's policy is to position total remuneration for KMP Executives principally within a competitive range of its peers which includes Australian listed companies with characteristics most like Seven Group Holdings Limited when compared against a set of financial and qualitative metrics.

Total reward opportunity is intended to provide the opportunity to earn median to top quartile reward for outstanding performance against set stretch targets.

REMUNERATION REPORT

A snapshot of the executive remuneration framework for FY19 is summarised below.

		DELIVERY	STRUCTURE AND PAYOUT MECHANISM
FIXED	**FR**	Cash	– Base pay and superannuation – Aligned with market pay comparators – Set to reflect experience and role complexity – Ensures attraction and retention of best candidates
VARIABLE 'AT RISK' AND LINKED TO PERFORMANCE	**STI (60% to 75% of FR)**	Cash Deferred Share Rights 2-year vest	– STI plan gateway is 90% of underlying EBIT – Key Performance Indicators (KPIs) are set at the start of the financial year – KPIs are weighted between financial metrics, delivery against strategic initiatives, people and safety metrics – Half of the incentive outcome is delivered to the KMP Executive in cash after the financial year end, and the other half is delivered in equity rights that vest after two years subject to continued employment
	LTI (50% to 60% of FR)	Performance Rights 3-year vest plus a one-year trading restriction	– Rights issued at the start of the performance period – Rights only vest if the relative TSR performance measure against the ASX 100 Index (excluding Financials) is met or exceeded

Remuneration mix

The ratio between fixed and variable pay further incentivises executives to focus on the Company's short and long-term performance. As disclosed in the FY18 Remuneration Report, the Board approved changes to KMP Executive incentive opportunities, effective 1 July 2018, to align with the Group's remuneration principles and to strengthen the link between performance and reward outcomes. The changes are outlined below.

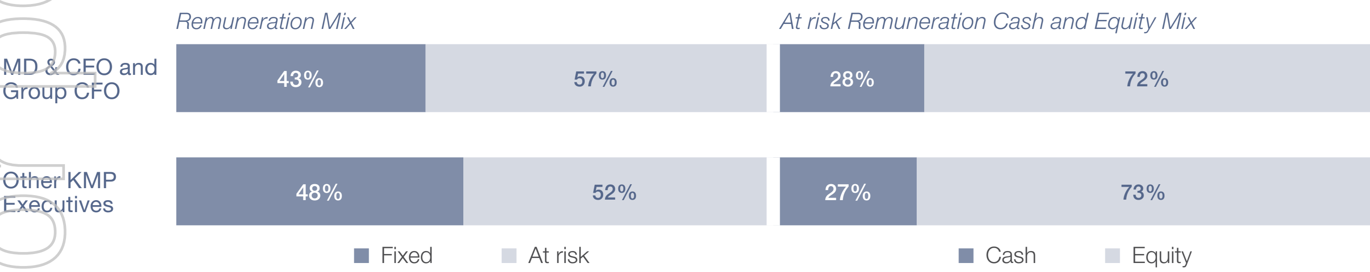
MD & CEO and Group CFO

- STI Target increased to 75% of FR with a maximum opportunity of 100% of FR
- LTI Target increased to 60% of FR

Other KMP Executives

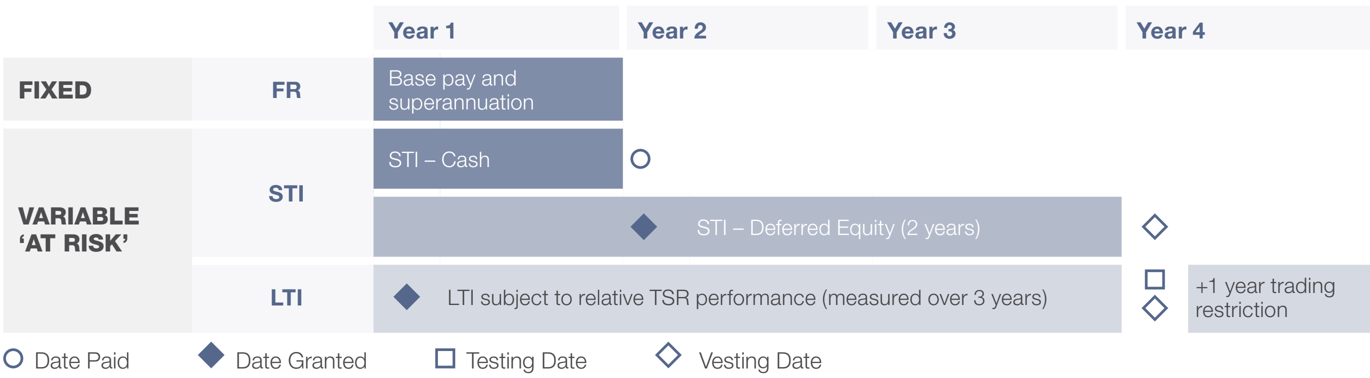
- STI Target remained at 60% of FR but with a maximum opportunity of 80% of FR
- LTI Target increased to 50% of FR with a further increase to 60% of FR in FY20

The diagram below shows KMP Executives' target remuneration mix for FY19 and how this mix is distributed using a mix of short-term cash and long-term equity instruments to focus executives.



Timing of Remuneration Outcomes

The diagram below shows the timing of remuneration outcomes. What a KMP Executive may earn in one financial year, may not become available until a later date, and may be subject to further conditions including additional performance measures and continued employment.



The Company's STI and LTI plans are described in detail below.

A. STI plan

KMP Executives participate in the Company's STI plan, which provides the opportunity to receive an annual incentive subject to the achievement of annual financial, strategic and operational performance objectives.

Financial gateway

A minimum financial outcome must be achieved before KMP Executives become eligible for an STI award. This gateway helps to clearly align the interests of shareholders and executives by limiting STI awards where minimum financial performance by the Group is not achieved.

The financial gateway applied is Group underlying EBIT compared to target in accordance with the table below. Group underlying EBIT is the Group's audited statutory profit before significant items, net finance costs and income tax. If the Group does not achieve at least 90% of underlying EBIT, no STI awards become available and any outcomes are subject to the discretion of the Board.

% of Group underlying EBIT Achieved	<90	90-94	95-99	100
Potential % of On-Target STI Award	–	25	50	100

FY19 STI opportunity

Prior to FY19, KMP Executives had the opportunity to earn up to their STI Target depending on performance against their KPIs even in a year when targets were exceeded. In FY19, consistent with market practice, the Board introduced a maximum opportunity in addition to the target opportunity. Target and maximum opportunities for KMP Executives in FY19 are set out below.

MD & CEO and Group CFO	STI Target 75% of FR with a maximum STI opportunity of 100% of FR
Other KMP Executives	STI Target 60% of FR with a maximum STI opportunity of 80% of FR

STI goals

The performance of each of KMP Executive is measured using a balanced scorecard approach, based on measurable and quantifiable targets called Key Performance Indicators (KPIs). Financial and non-financial measures are differentially weighted to reflect the focus of each KMP Executive in driving the overall business strategy.

The KPIs for each KMP Executive are reviewed by the Committee and approved prior to the commencement of the new financial year. KPIs are set to be challenging and to focus management on strategic business objectives that ultimately create shareholder value. Financial KPIs are utilised as they represent value creation and reflect the Company's core financial metrics. Non-financial KPIs drive performance including operational efficiencies and improved safety in the workplace.

Performance measurement

The Committee assesses the performance of the MD & CEO and makes a recommendation on the STI award to the Board for its consideration, and if thought fit, approval. The MD & CEO assesses the performance of other KMP Executives against targets and recommends STI awards for each to the Committee for consideration and, if thought fit, approval.

Target performance is set to ensure alignment with the Board approved budget for the financial year. The potential to receive an above-target STI award, up to the maximum, is triggered by financial outperformance at the Group or Business Unit level. The STI awards are then further calibrated based on individual contribution to business performance and the delivery of strategic priorities. STI awards are not provided in circumstances where individual performance is unsatisfactory.

The Board retains discretion to determine whether STI awards are appropriate based on the overall performance of the KMP Executive and the Group.

REMUNERATION REPORT

STI award

Half of the STI award is delivered as a lump sum cash payment and the remaining half is delivered as share rights. Once granted, the share rights vest subject to continued employment over a two-year vesting period. For the FY19 award, the two-year vesting period commenced on 1 July 2019 and will conclude on 30 June 2021.

Further details on the deferred share rights under the STI plan are set out below.

STI plan – Deferred STI Share Rights

Who will participate?	KMP Executives employed by the Group will have 50% of their STI award deferred into share rights in the Company.
What will be granted?	Subject to the achievement of KPIs for the relevant financial year, 50% of STI awards will be made as share rights which will be granted for nil consideration. Each right entitles the participant to one ordinary share in the Company, which vests at the end of the two-year period.
How many shares rights will be granted?	The number of share rights granted to each participating KMP Executive is equivalent to 50% of their STI award divided by the closing 30 June share price prior to the commencement of the vesting period, adjusted for the value of expected dividends foregone.
What will be the vesting performance measures?	The share rights granted under the STI plan do not have any further performance hurdles and vest subject to continuous employment over a two-year vesting period.
Do the share rights carry dividend or voting rights?	The share rights do not carry dividend or voting rights.
What happens in the event of a change in control?	In the event of a change of control of the Company, any unvested share rights will vest.
What happens if the participant ceases employment?	If the participant ceases employment with the Company due to termination for cause or gross misconduct, or other reasons determined by the Board all unvested share rights will lapse. If the participant ceases employment other than for the reasons outlined above the share rights will not lapse, unless the Board determines otherwise.

For Ms G Bhalla who has limitations on share ownership due to compliance with audit independence requirements, the STI awards will be cash-settled.

Performance against FY19 KPIs

A summary of FY19 Executive KPIs and performance against them is provided in the table below.

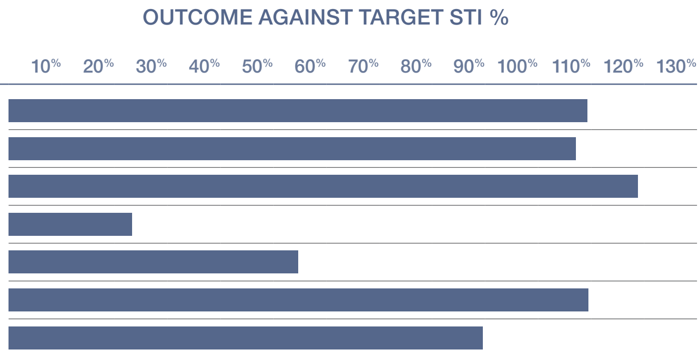
Performance category and weighting	Performance measure	Key rationale	Performance outcome highlights
Financial (30% to 50%)	Group – Underlying EBIT (UEBIT) – Cash flow targets – Capital efficiency Individual business performance against business drivers: UEBIT, cashflow, margins	The financial metrics outlined are key performance measures for the Group.	Group and WesTrac UEBIT budgets significantly overachieved, with YOY growth of 40% and 41% respectively. Coates Hire only partially achieved targets and as such STIs were impacted.
Strategic (30% to 50%)	Performance of the investment portfolio Market and investor relationships Group operational efficiencies Delivery of customer focussed initiatives Major contract wins	Company performance is determined based on the success of the overall portfolio at group level, management of capital and the success of individual businesses which are wholly or significantly owned. Strategic objectives at the group level focus on the delivery of the portfolio, capitalising on opportunities and drive the performance of complex elements which create long-term value. The strategic metrics within the businesses focus each executive on excellence and high performance within their business.	Strong results with TELYS4 conversion and the investment portfolio. Refinancing completed with greater savings, duration and facility size. Strong operational improvements delivered over the year across all businesses resulting in strong sales momentum, greater operational efficiencies and key account wins. Delivery of the new WesTrac facility in Casula focusing on customer service and productivity improvement. WesTrac parts shipments were up 11% to 6.4 million parts, driven by the record level of mining production and export volumes.

Performance category and weighting	Performance measure	Key rationale	Performance outcome highlights
People and Safety (10% to 20%)	Engagement, leadership and diversity targets Safety indicators which include LTIFR and TRIFR as well as other lead metrics	Building a people culture that synonymously encourages engagement and performance that drives value for the company. Safety remains a key focus for executives, especially given the industries in which we operate. Ultimately, keeping our people safe is the Group's top priority.	Notable YOY improvement in the LTIFR and TRIFR and other lead metrics. Safety culture change programs in the business units have driven an increased focus on safety. Continuing progress and improvement on diversity, leadership development, talent management and succession. Group-wide engagement framework resulted in material improvements in engagement scores in the business units.

Individual performance against FY19 measures

The table below provides details of the level of performance achieved against balanced scorecard KPIs and the resulting STI outcome awarded for FY19. In the table, a clear link is demonstrated between individual KMP Executive performance and STI outcome.

	Percentage of target STI awarded	Percentage of target STI forfeited
RK Stokes	116%	0%
G Bhalla	112%	0%
JE Croome	123%	0%
JD Fraser	25%	75%
BI McWilliam	58%	42%
RJ Richards	116%	0%
MJ Vitlich	93%	7%



FY19 STI outcomes were commensurate with the business performance of the Group and Business Units. In FY19, Group achievements included:

- Total revenue from continuing operations of $4,084.0 million, a year-on-year increase of 27%;
- Underlying EBIT from operations of $695.1 million, a year-on-year increase of 40%;
- Conversion of TELYS4 to evolve the Group's financial structure;
- Significant growth in the value of the investment portfolio which includes greater investment in Beach Energy; and
- Annual dividend of 42 cents per share fully franked.

Key WesTrac achievements in FY19 included:

- Underlying EBIT from operations of $285.6 million, a year-on-year increase of 41%;
- Key account wins including BHP Southflank Ancillary and Rio Koodaideri; and
- Delivery of new facility in Casula, focusing on customer service and productivity improvement.

Accordingly, STIs awarded to Group and WesTrac KMP Executives for FY19 ranged from 58% of target to 123% of target, depending on achievement against KPIs.

Coates Hire's financial and non-financial targets were only partially met, which was reflected in the STI outcomes.

B. LTI plan

The purpose of the LTI plan is to drive sustained performance and long-term shareholder value creation, encourage retention of the KMP Executive, and ensure alignment of executive remuneration outcomes with shareholder interests.

LTI opportunity

For FY19, the target opportunity under the LTI plan for each participating KMP Executive is 50% of FR. The MD & CEO and Group CFO are currently at 60%. In FY20, the target opportunity will increase to 60% for all the other KMP Executives.

Once granted, awards only vest if the performance hurdle over a three-year performance period is met. For the FY19 award, the three-year performance period commenced on 1 July 2018 and will conclude on 30 June 2021. Following vesting the shares are subject to a one-year trading restriction which means that under the terms of the LTI, executives will only be able to realise value from the awards at the end of a four-year period.

The performance hurdle for the FY19 grant is relative TSR against a comparator group of ASX 100 Index excluding financial services companies. As the Group's focus is to maximise returns to shareholders through long-term, sustainable value creation, the Board believes that the relative TSR metric most clearly aligns KMP Executives to this strategic objective. ASX 100 companies excluding financial services companies was determined to be the most appropriate comparator group given the diversity of the Company's holdings across industrial services, media, energy and other investments. The Board has reviewed the LTI structure for FY20 and will consider implementation of a second LTI performance measure going forward.

REMUNERATION REPORT

LTI plan

<table>
<tr><td>What will be granted?</td><td>Performance rights are granted for nil consideration. Each right entitles the participant to one ordinary share in the Company, with vesting subject to the achievement of the performance hurdles. For Mr R Stokes and Ms G Bhalla each right entitles the participant to a cash amount equivalent to one ordinary share in the Company, with vesting subject to the achievement of the performance hurdles.</td></tr>
<tr><td>How many performance rights will be granted?</td><td>The value of LTI granted annually is 50% of the relevant KMP Executive's FR and 60% for the MD & CEO and Group CFO. The number of performance rights granted to each KMP Executive is equivalent to the face value of the LTI grant divided by an amount calculated based on closing price adjusted for dividends foregone as at the commencement of the performance period in accordance with the terms and conditions of the plan.</td></tr>
<tr><td>What will be the vesting performance measures?</td><td>The vesting of performance rights granted under the LTI plan will be dependent on a relative TSR measure.</td></tr>
<tr><td>Why was the TSR performance hurdle chosen, and how is performance measured?</td><td>Relative TSR provides an indicator of shareholder value creation by comparing the Company's return to shareholders relative to other companies of similar size. TSR provides an external, market-based hurdle and creates alignment of executive remuneration outcomes to shareholder returns. Participants will not derive any benefit from this portion of the grant unless the Company's performance is at or above the 51st percentile of the comparator group.

The comparator group chosen for assessing the Company's relative TSR consists of constituents of the ASX 100 Index (excluding Financials). This comparator group was selected as it represents a broad base of companies against which investors may benchmark their investment.

The comparator group is defined at the start of the performance period. The composition of the comparator group may change as a result of corporate events, such as mergers, acquisitions, de-listings etc. The Board has agreed guidelines for adjusting the comparator group following such events, and has the discretion to determine any adjustment to the comparator group.

The percentage of TSR performance rights that vest (if any) at the end of the performance period will be based on the following schedule:
<table>
<tr><th>Company's TSR ranking relative to comparator group companies</th><th>Proportion of TSR performance rights that vest (%)</th></tr>
<tr><td>Equal to or above the 75th percentile</td><td>100%</td></tr>
<tr><td>Between the 51st and up to 75th percentiles</td><td>50% vesting on a straight-line basis</td></tr>
<tr><td>At the 51st percentile</td><td>50%</td></tr>
<tr><td>Below 51st percentile</td><td>Nil</td></tr>
</table></td></tr>
<tr><td>When will performance be tested?</td><td>Awards will be subject to a three-year performance period with an additional one-year trading restriction. The three-year performance period commences at the beginning of the financial year to which the award relates. In the case of the FY19 award, the performance period commenced on 1 July 2018. Immediately following the completion of the performance period, the performance hurdles are tested to determine whether, and to what extent, awards vest. Upon vesting of the rights, the Board has discretion to either issue new shares or acquire shares on market.

Any performance rights that do not vest following testing of performance hurdles will lapse. There is no retest.</td></tr>
<tr><td>Do the performance rights carry dividend or voting rights?</td><td>Performance rights do not carry dividend or voting rights.</td></tr>
<tr><td>What happens in the event of a change in control?</td><td>In the event of a change of control of the Company the Board will have discretion to determine whether, and the extent to which, unvested performance rights vest. The Board will consider when making its decision the extent to which performance hurdles have been achieved to the date of the event.</td></tr>
<tr><td>What happens if the participant ceases employment?</td><td>If the participant ceases employment with the Company due to termination for cause or gross misconduct, or other reasons determined by the Board all unvested performance rights will lapse.

If the participant ceases employment other than for the reasons outlined above the performance rights will not lapse, unless the Board determines otherwise.</td></tr>
</table>

It is important to note that accounting standards require that the expense relating to equity instruments (such as the performance shares and options allocated under the LTI plan) be reflected over the "performance period", notwithstanding that the executives may never receive any actual value from such a grant.

LTI awards are structured as rights to acquire ordinary shares in the Company at no cost to the participant and will only deliver benefits to participants if shareholder returns are achieved and the KMP Executive remains employed by the Company over the three-year performance period. For Mr R Stokes, who has an interest in shares in the Company which represents more than 10% of the Company's issued share capital, and for Ms G Bhalla who has limitations on share ownership due to compliance with audit independence requirements, the LTI awards will be cash-settled, should the rights vest.

Prior LTI grants

Under the terms and conditions that applied to the LTI plan prior to FY17, grants under the LTI plan were only made where the statutory NPAT target was met. In FY17, the LTI plan was amended to remove the NPAT hurdle as a condition of grant and at the same time the Company introduced a four-year performance period. Performance rights were awarded at the commencement of the performance period to eligible KMP.

The performance conditions for prior grants are listed below.

The percentage of EPS performance rights that vest (if any) at the end of the performance period is based on the following schedule:

Company's EPS over the performance period	Proportion of EPS performance rights that vest (%)
Equal to or above the stretch EPS	100%
Between the threshold EPS and the stretch EPS	Between 51% and 100%, increasing on a straight-line basis
At the threshold EPS	50%
Less than the threshold EPS	Nil

The percentage of TSR performance rights that vest (if any) at the end of the performance period will be based on the following schedule:

Company's TSR ranking relative to comparator group companies	Proportion of TSR performance rights that vest (%)
Equal to or above the 75th percentile	100%
Between the 50th and 75th percentiles	Between 51% and 100%, increasing on a straight-line basis
At the 50th percentile	50%
Less than the 50th percentile	Nil

The Board has discretion to adjust the EPS for significant items as it considers appropriate.

The FY16 LTI award was tested following the end of the performance period on 30 June 2019 and the Company's relative TSR and EPS performance over the three-year period resulted in 100% of the grant vesting.

Coates Hire legacy arrangements

Mr J Fraser retired effective 31 July 2019. Mr Fraser participated in the Coates Hire LTI Plan prior to the full acquisition by Seven Group Holdings. The award of $308,000 made to Mr Fraser relating to FY17 lapsed in July 2019. Prior to the full acquisition of Coates Hire, Mr Fraser was due to receive an additional $200,000 bonus relating to his role as both the CFO and CEO, which will be due as soon as practicable after 31 January 2020, subject to meeting additional conditions. In FY18, Mr Fraser transitioned to the same remuneration framework as other KMP Executives.

Additional award

In FY19, the Board made an equity allocation of 45,000 share rights to the Group CFO, Mr R Richards. In making the allocation, the Board considered the criticality of his role, his performance, the need to retain his services in a tight talent market and other commercial considerations. Subject to continued employment, the share rights will vest in two tranches: 30,000 share rights in July 2020 and 15,000 share rights in July 2021 with an additional one-year holding lock for both tranches.

C. Managing Director & Chief Executive Officer remuneration

Mr R Stokes was appointed Managing Director & Chief Executive Officer on 1 July 2015. He is employed under an open-ended employment contract under which he may give six months' notice to terminate employment. The Company is also required to provide six months' notice to terminate his employment.

Fixed remuneration

The MD & CEO's FR is $1.6 million per annum inclusive of superannuation and has remained unchanged since his appointment. It has been set in line with the Group's policy of positioning total reward for KMP Executives principally within a competitive range of its peers which includes Australian listed companies with characteristics most like Seven Group Holdings Limited when compared against a set of financial and qualitative metrics.

Variable (at-risk) remuneration

The MD & CEO is eligible to participate in performance-linked remuneration consistent with other KMP Executives under the Company's STI plan described at section 6.A of the Remuneration Report and the Company's LTI plan described at section 6.B of the Remuneration Report.

The MD & CEO's target opportunity under the STI plan is 75% of FR, with a maximum opportunity of 100% of FR. The MD & CEO's opportunity under the LTI plan is 60% of FR.

REMUNERATION REPORT

Impact of accounting for cash settled awards

Tax deferral on equity incentive plans is not permitted where an executive has an interest in shares in the Company which represents more than 10% of the Company's issued share capital. As such, an approach to achieve an equivalent outcome to other executives participating in the plan is to cash-settle the rights using the same terms and conditions as for the performance rights that are equity-settled under the LTI plan. As Mr R Stokes has an interest in shares in the Company which represents more than 10% of the Company's issued share capital, should the LTI award rights vest, they will be cash-settled.

Accounting Standard AASB 2: Share Based Payments requires the fair value of cash-settled equity plans to be re-measured each year, unlike equity-settled plans where the fair value is calculated at the start of the performance period. The fair value is re-measured taking into consideration a number of inputs including share price from date of grant. The re-measurement of the fair value of Mr R Stokes' cash-settled equity has resulted in an approximate change of $1,343,125 over the period. If the awards had been equity-settled, the total remuneration reflected in the remuneration tables at section 11.B would have been $3,502,963 as compared to $4,846,088 as currently stated in the table.

7. EXECUTIVE CHAIRMAN AND NON-EXECUTIVE DIRECTOR REMUNERATION FRAMEWORK

Non-Executive Director remuneration was reviewed by the Board in April 2019, taking into account the recommendations of the Committee based on external benchmarking of remuneration for Non-Executive Directors of comparable companies.

Approved fee pool

The aggregate pool available for the payment of fees to the Executive Chairman and Non-Executive Directors is $2.2 million per annum. The fee pool was last reviewed at the Company's 2017 AGM.

The available fee pool provides flexibility for the Company to appoint other suitably qualified Non-Executive Directors as required and to ensure that the Board remains comprised of high-calibre Directors with a mix of skills, strategic competencies, qualifications and experience to oversee the Company's diverse range of operations and investments.

Executive Chairman and Non-Executive Director fees

The Executive Chairman receives a fixed Director's fee which is paid in the form of cash and statutory superannuation contributions. The fees paid to the Executive Chairman are included in the approved fee pool. The Executive Chairman does not receive any additional fees for being the Chair or a member of a Board Committee.

Non-Executive Directors receive a fixed fee which includes a base fee and additional fees for being the Chair or member of a Board Committee. Board and Committee fees are paid in the form of cash and statutory superannuation contributions.

The Executive Chairman and the Non-Executive Directors do not receive any variable remuneration or other performance related incentives such as options or rights to shares, and no retirement benefits are provided.

The table below sets out the base and committee fee structure inclusive of superannuation as it applied in FY19. Following a market review in April 2019, the base fee for the Executive Chairman was increased marginally from $350,000 to $385,000 and for Non Executive Directors from $160,000 to $170,000 in April 2019.

	BASE FEE		COMMITTEE CHAIR FEE		COMMITTEE MEMBER FEE	
Role	2019 (from 1 April 2019)	2018	2019	2018	2019	2018
Executive Chairman	**$385,000**	$350,000				
Non-Executive Director	**$170,000**	$160,000				
Audit & Risk			**$80,000**	$80,000	**$20,000**	$20,000
Remuneration & Nomination			**$40,000**	$40,000	**$20,000**	$20,000
Independent & Related Party			**$40,000**	$40,000	**$20,000**	$20,000

8. SUMMARY OF EXECUTIVE CONTRACTS

The key terms of the KMP Executives' contracts including the term of the contract, the period of notice required to terminate the contract (by either the Company or executive) and any contractual termination payments are set out below.

KMP Executive	Contract term	Notice period required by the Company	Notice period required by the Executive	Contractual termination payments
RK Stokes	On-going	6 months	6 months	No contractual termination payments
G Bhalla	On-going	6 months	6 months	No contractual termination payments
JE Croome	On-going	6 months	6 months	No contractual termination payments
JD Fraser	On-going	6 months	6 months	No contractual termination payments
RJ Richards	On-going	6 months	6 months	No contractual termination payments
MJ Vitlich	On-going	6 months	6 months	No contractual termination payments

Mr McWilliam does not have any defined contract term, notice period or contractual termination payments directly with SGH.

There are no formal employment contracts for Non-Executive Directors that provide notice provisions or contractual termination payments. Each Non-Executive Director has a formal appointment letter agreed with the Company which confirms their appointment in accordance with the Constitution of the Company and provides information in relation to the structure and practices of the Board and the Company.

9. KMP EQUITY HOLDINGS

A. Equity granted as remuneration

Deferred share rights granted as remuneration

The Group offered certain KMP Executives the opportunity to participate in the Group's deferred STI plan in respect of performance and awarded KMP Executives deferred share rights that vest 12 months (FY17 award) and 24 months (FY18 award) after grant provided the KMP Executive remains employed within the Group at the time of vesting.

Details of the vesting profile of the deferred share rights held by KMP Executives during FY19 under the deferred STI plan are detailed below.

Deferred share rights

KMP	Grant date	Vesting date	Fair value per share at grant date	Held at 1 July 2018	Granted	Forfeited	Vested	Held at 30 June 2019
RK Stokes	1 Jul 18	1 Jul 20	$17.85	–	38,215	–	–	38,215
	1 Jul 17	1 Jul 18	$10.33	33,881	–	–	(33,881)	–
				33,881	**38,215**	**–**	**(33,881)**	**38,215**
JE Croome	1 Jul 18	1 Jul 20	$17.85	–	14,793	–	–	14,793
	1 Jul 17	1 Jul 18	$10.33	22,628	–	–	(22,628)	–
				22,628	**14,793**	**–**	**(22,628)**	**14,793**
JD Fraser	1 Jul 18	1 Jul 20	$17.85	–	15,129	–	–	15,129
				–	**15,129**	**–**	**–**	**15,129**
BI McWilliam	1 Jul 18	1 Jul 20	$17.85	–	3,236	–	–	3,236
				–	**3,236**	**–**	**–**	**3,236**
RJ Richards	1 Jul 18	1 Jul 20	$17.85	–	28,577	–	–	28,577
	10 Dec 18	1 Jul 20	$13.05	–	30,000	–	–	30,000
	10 Dec 18	1 Jul 21	$12.40	–	15,000	–	–	15,000
	1 Jul 17	1 Jul 18	$10.33	21,781	–	–	(21,781)	–
				21,781	**73,577**	**–**	**(21,781)**	**73,577**
MJ Vitlich	1 Jul 18	1 Jul 20	$17.85	–	11,094	–	–	11,094
				–	**11,094**	**–**	**–**	**11,094**

Deferred share rights (cash-settled)

KMP	Grant date	Vesting date	Fair value per share at grant date	Held at 1 July 2018	Granted	Forfeited	Vested	Held at 30 June 2019
G Bhalla	1 Jul 18	1 Jul 20	$17.85	–	4,191	–	–	4,191
				–	**4,191**	–	–	**4,191**

REMUNERATION REPORT

Performance rights granted as remuneration

The Group offered certain KMP Executives the opportunity to participate in the Group's LTI plan. Until FY16, awards under the LTI plan were only made where the NPAT target for the relevant year had been achieved (Gateway Hurdle) and, once granted, awards only vested if the performance hurdles over a further three-year performance period (in addition to the initial one-year NPAT performance period) were met.

A summary of the LTI plans is provided below.

Performance year	Gateway	Performance measure	Grant date	Vest date	Vesting outcome
FY15	Group NPAT	EPS & TSR	No grant awarded; gateway missed	–	–
FY16	Group NPAT	EPS & TSR	3 August 2016	2019 (3 years)	100%
FY17	Not applicable	EPS & TSR	1 July 2016	2020 (4 years)	In progress
FY18	Not applicable	TSR	1 July 2017	2020 (3 years plus 1-year trading restriction)	In progress
FY19	Not applicable	TSR	1 July 2018	2021 (3 years plus 1-year trading restriction)	In progress

LTI awards are structured as rights to acquire ordinary shares in the Company or a cash-settled equivalent at no cost to the executive. Details of the vesting profiles of the performance rights held by KMP Executives during FY19 under the LTI plan are provided below.

Performance rights

KMP	Grant date	Expiry date	Fair value per right at grant date TSR component	Fair value per right at grant date EPS component	Number of share rights	Number of rights vested during the year	% forfeited in the year	Financial year in which grant may vest
JE Croome	3 Aug 16	1 Sep 19	$4.52	$6.14	83,716	–	–	30 Jun 20
	1 Jul 16	1 Sep 20	$3.50	$4.98	120,087	–	–	30 Jun 21
	1 Jul 17	1 Sep 20	$5.95	–	47,479	–	–	30 Jun 21
	1 Jul 18	1 Sep 21	$10.27	–	31,874	–	–	30Jun 22
					283,156	**–**	**–**	
JD Fraser	25 Oct 17	1 Sep 20	$7.77	–	36,370	–	–	30 Jun 21
	1 Jul 18	1 Sep 21	$10.27	–	28,977	–	–	30 Jun 22
					65,347	**–**	**–**	
BI McWilliam	1 Jul 18	1 Sep 21	$10.27	–	7,968	–	–	30 Jun 22
					7,968	**–**	**–**	
RJ Richards	3 Aug 16	1 Sep 19	$4.52	$6.14	76,105	–	–	30 Jun 20
	1 Jul 16	1 Sep 20	$3.50	$4.98	109,170	–	–	30 Jun 21
	1 Jul 17	1 Sep 20	$5.95	–	43,163	–	–	30 Jun 21
	1 Jul 18	1 Sep 21	$10.27	–	34,772	–	–	30 Jun 22
					263,210	**–**	**–**	
MJ Vitlich	1 Jul 17	1 Sep 20	$5.95	–	35,609	–	–	30 Jun 21
	1 Jul 18	1 Sep 21	$10.27	–	23,906	–	–	30 Jun 22
					59,515	**–**	**–**	

Movements in the holdings of cash settled performance rights held by KMP Executives during FY19 under the LTI plan are provided below.

Performance rights (cash-settled)

KMP	Grant date	Expiry date	Fair value per right at grant date TSR component	Fair value per right at grant date EPS component	Held at 1 July 2018	Granted	Forfeited	Vested	Held at 30 June 2019
RK Stokes	3 Aug 16	1 Sep 19	$4.52	$6.14	121,769	–	–	–	121,769
	1 Jul 16	1 Sep 20	$3.50	$4.98	174,672	–	–	–	174,672
	1 Jul 17	1 Sep 20	$5.95	–	69,061	–	–	–	69,061
	1 Jul 18	1 Sep 21	$10.27	–	–	55,636	–	–	55,636
					365,502	**55,636**	**–**	**–**	**421,138**
G Bhalla	16 Oct 17	1 Sep 20	$7.62	–	18,991	–	–	–	18,991
	1 Jul 18	1 Sep 21	$10.27	–	–	14,024	–	–	14,024
					18,991	**14,024**	**–**	**–**	**33,015**
BI McWilliam	3 Aug 16	1 Sep 19	$4.52	$6.14	20,929	–	–	–	20,929
	1 Jul 16	1 Sep 20	$3.50	$4.98	30,021	–	–	–	30,021
	1 Jul 17	1 Sep 20	$5.95	–	11,869	–	–	–	11,869
					62,819	**–**	**–**	**–**	**62,819**

No amount is paid or payable by KMP Executives in relation to these LTI grants.

Further details about the LTI plan are set out in section 6.B of the Remuneration Report.

Equity granted as remuneration affecting future periods

The fair value of equity granted as remuneration is amortised over the service period and therefore remuneration in respect of equity grants may be reported in future years. The following table summarises the maximum value of these grants that will be reported in the remuneration tables in future years, assuming all vesting conditions are met. The minimum value of the grant is nil should vesting conditions not be satisfied.

Equity-settled

KMP	2020 $	2021 $
RK Stokes	459,611	232,283
JE Croome	587,881	244,782
JD Fraser[(a)]	(132,424)	–
BI McWilliam	105,430	–
RJ Richards	984,568	335,434
M Vitlich	295,217	158,598

(a) Reflects the estimated expense reversal of equity awards forfeited on retirement.

B. Shareholdings and transactions

Movements in the holdings of ordinary shares and TELYS4 by KMP held directly, indirectly, beneficially and including their personally-related entities are set out in the tables below.

Ordinary Shares

KMP	Held at 1 July 2018	Purchases and other changes during the year	Shares granted as remuneration during the year	Rights converted to shares during the year	Held at 30 June 2019
KM Stokes AC	207,304,349	–	–	–	207,304,349
SA Chaplain	21,339	10,000	–	–	31,339
TJ Davis	50,000	46,064	–	–	96,064
KL Farrar	–	2,750	–	–	2,750
CJ Mackay	10,000	–	–	–	10,000
DI McEvoy	31,339	–	–	–	31,339
WL Smith AO	40,800	–	–	–	40,800
RA Uechtritz	547,170	(63,000)	–	–	484,170

REMUNERATION REPORT

Executive KMP	Held at 1 July 2018	Purchases and other changes during the year	Shares granted as remuneration during the year	Rights converted to shares during the year	Held at 30 June 2019
RK Stokes	378,000	11,516	–	33,881	423,397
G Bhalla	–	–	–	–	–
JE Croome	60,144	(30,144)	–	22,628	52,628
JD Fraser	3,000	(3,000)	–	–	–
BI McWilliam	180,665	12,000	–	–	192,665
RJ Richards	45,801	(25,894)	–	21,781	41,688
MJ Vitlich	–	–	–	–	–

TELYS4

KMP	Held at 1 July 2018	Purchases and other changes during the year	Held at 30 June 2019
TJ Davis	15,510	(15,510)	–
RK Stokes	2,500	(2,500)	–
JE Croome	1,650	(1,650)	–
RJ Richards	28,245	(28,245)	–

C. Hedging policy

The Company's Group Directors Share Trading Policy, and the Executive and Staff Share Trading Policy, prohibits employees (including KMP) from dealing in SGH shares, if the dealing is prohibited under the Corporations Act 2001. Therefore, in accordance with this policy, all KMP are prohibited from entering into arrangements in connection with Seven Group Holdings Limited shares which operate to limit the executives' economic risk under any equity-based incentive schemes.

The ability to deal with unvested rights is restricted in the relevant equity plan rules which apply to the options over shares in the Company which have been granted. The Company will continue to monitor the appropriateness of this approach.

D. Clawback provision

The Company maintains a clawback provision within the variable pay plans. If in the Board's opinion, an employee:

- acts fraudulently or dishonestly;
- is in breach of their obligations to the Company or another Group company; or
- received awards based on financial accounts which are later restated,

the Board may determine that unvested performance rights lapse and deem that any vested but unexercised performance rights also lapse.

10. KMP RELATED PARTY TRANSACTIONS

Key Management Personnel related party transactions

A number of Key Management Personnel, or their personally-related entities, hold positions in other entities that can result in them having control or significant influence over those entities. A number of these entities transacted with the Company or its subsidiaries during the year.

The Group transacted with entities of which the Directors of the Company, Mr K Stokes AC and Mr R Stokes are or were Directors of Officers (excluding equity accounted investees, which are disclosed in Note 32 of the Financial Statements) or otherwise had an interest.

The aggregate value of the related party transactions with Director and director related entities was as follows:

	2019 $	2018 $
Revenue		
Equipment sales and hire	100,987	20,582
Total revenue	**100,987**	**20,582**
Expenses		
Lease of premises and related outgoings	6,542,663	6,728,938
Travel expenses	24,113	164,570
Consulting agreement	291,660	504,687
Other net expense reimbursements	4,316	9,554
Total expenses	**6,862,752**	**7,407,749**

Loans and other transactions with Key Management Personnel

During the year, a company associated with a Director, Mr B McWilliam, was party to a consulting agreement with the Group. The agreement ceased in April 2019. Fees paid during this period in relation to this consulting agreement totaled $208,327 (2018: $250,000). This amount is included in the remuneration disclosures and in the previous table.

During the year ended 30 June 2019, Mr K Stokes AC and Mr R Stokes were directors on the board of Seven West Media Limited, representing Seven Group Holdings Limited. They are paid director's fees by Seven West Media Limited for their services provided. Mr W Smith receives director's fees for his services provided to Flagship Property Holdings Pty Limited until November 2018. Mr R Stokes and Mr R Richards receive director's fees for their services provided to Beach Energy Limited. As the amounts are not paid or payable by Seven Group Holdings Limited, they have not been included in the remuneration disclosures.

Other director fees (SGH Appointed)	2019 $	2018 $
KM Stokes AC	340,807	312,177
WL Smith AO	37,500	75,000
RK Stokes	270,000	252,205
RJ Richards	125,000	127,590

Other transactions with the Group

A number of Directors hold directorships in other entities. Several of these entities transacted with the Group on terms and conditions not more favourable than those available on an arm's-length basis.

11. REMUNERATION IN DETAIL

A. Remuneration earned by KMP Executives in FY19 (non-statutory disclosures)

The remuneration detailed in this table is aligned to the current performance periods and therefore is particularly useful in assessing pay received in the current year and its alignment with long-term performance.

The values in this table will not reconcile with those provided in the statutory disclosures in table 11.B. For example, table 11.B discloses the value of equity grants which may or may not vest in future years, whereas this table discloses the value of grants from previous years which vested in FY19.

KMP Executive	Year	Cash salary & fees $	STI cash bonus $	Non-monetary benefits $	Super-annuation benefits $	Termination benefits $	Deferred STI vested in the year $	LTI vested in the year $	Total
RK Stokes (Managing Director & Chief Executive Officer)	**2019**	**1,579,469**	**682,000**	**6,371**	**20,531**	**–**	**735,075**	**–**	**3,023,446**
	2018	1,579,951	350,000	120,341	20,049	–	746,049	689,039	3,505,429
G Bhalla (Group Executive, People & Culture)	**2019**	**459,469**	**74,800**	**3,602**	**24,531**	**–**	**–**	**–**	**562,402**
	2018	289,092	–	1,525	25,000	–	–	–	315,617
JE Croome (Chief Executive, WesTrac)	**2019**	**1,079,469**	**264,000**	**8,396**	**20,531**	**–**	**490,933**	**–**	**1,863,329**
	2018	1,079,951	233,750	35,823	20,049	–	448,787	299,489	2,117,849
JD Fraser (Chief Executive, Coates Hire)	**2019**	**979,469**	**180,000**	**8,639**	**20,531**	**–**	**–**	**–**	**1,188,639**
	2018	671,861	308,000	49,147	13,743	–	–	–	1,042,751
BI McWilliam (Commercial Director)	**2019**	**521,385**	**57,750**	**–**	**3,615**	**–**	**–**	**–**	**582,750**
	2018	525,000	37,813	–	–	–	43,658	–	606,471
RJ Richards (Group Chief Financial Officer)	**2019**	**979,469**	**510,000**	**3,602**	**20,531**	**–**	**472,556**	**–**	**1,986,158**
	2018	976,238	225,000	2,153	23,762	–	582,804	–	1,809,957
MJ Vitlich (Group Chief Operating Officer)	**2019**	**804,469**	**198,000**	**3,602**	**20,531**	**–**	**–**	**–**	**1,026,602**
	2018	804,951	–	2,153	20,049	–	–	–	827,153
Total KMP Executives	**2019**	**6,403,199**	**1,966,550**	**34,212**	**130,801**	**–**	**1,698,564**	**–**	**10,233,326**
	2018	5,927,044	1,154,563	211,142	122,652	–	1,821,298	988,528	10,225,227

REMUNERATION REPORT

B. Remuneration for KMP Executives in FY19 (statutory disclosures)

The following table sets out the audited remuneration details for the KMP Executives for the year ended 30 June 2019, calculated in accordance with statutory accounting requirements.

		SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS		SHARE-BASED PAYMENTS					
KMP	Year	Salary & fees $	STI cash bonus $	Non-monetary benefits[a] $	Superannuation benefits $	Long service leave and annual leave $	Deferred incentive $	Performance rights $	Deferred shares/ share rights $	Cash settled equity (employee expense)[b] $	Cash settled equity (re-fair value)[c] $	Total $	Remuneration performance related %
RK Stokes	**2019**	**1,579,469**	**696,850**	**6,371**	**20,531**	**(10,240)**	**–**	**–**	**459,611**	**750,371**	**1,343,125**	**4,846,088**	**67%**
(Managing Director & Chief Executive Officer)	2018	1,579,951	682,000	120,341	20,049	(4,155)	–	–	402,333	507,743	1,980,307	5,288,569	68%
G Bhalla	**2019**	**459,469**	**163,048**	**3,602**	**24,531**	**(6,756)**	**–**	**–**	**82,473**	**106,798**	**55,214**	**888,379**	**46%**
(Group Executive, People & Culture and Safety – KMP effective 16 October 2017)	2018	289,092	74,800	1,525	25,000	3,603	–	–	18,700	36,178	40,451	489,349	35%
JE Croome	**2019**	**1,079,469**	**407,000**	**8,396**	**20,531**	**53,973**	**–**	**494,052**	**223,666**	**–**	**–**	**2,287,087**	**49%**
(Chief Executive Officer, WesTrac)	2018	1,079,951	264,000	35,823	20,049	20,768	–	349,074	204,875	–	–	1,974,540	41%
JD Fraser[d]	**2019**	**979,469**	**75,000**	**8,639**	**20,531**	**37,561**	**202,667**	**205,171**	**89,997**	**–**	**–**	**1,619,035**	**23%**
(Chief Executive Officer, Coates Hire – KMP effective 25 October 2017)	2018	671,861	180,000	49,147	13,743	(1,549)	135,111	70,649	60,000	–	–	1,178,962	26%
BI McWilliam[e]	**2019**	**521,385**	**47,438**	**–**	**3,615**	**–**	**–**	**27,277**	**35,063**	**96,233**	**238,784**	**969,795**	**46%**
(Commercial Director)	2018	525,000	57,750	–	–	–	–	–	38,157	70,076	340,355	1,031,338	49%
RJ Richards	**2019**	**979,469**	**433,125**	**3,602**	**20,531**	**28,167**	**–**	**468,978**	**500,601**	**–**	**–**	**2,434,473**	**58%**
(Group Chief Financial Officer)	2018	976,238	510,000	2,153	23,762	33,858	–	317,339	282,500	–	–	2,145,850	52%
MJ Vitlich	**2019**	**804,469**	**230,278**	**3,602**	**20,531**	**27,823**	**–**	**152,462**	**142,754**	**–**	**–**	**1,381,919**	**38%**
(Group Chief Operating Officer)	2018	804,951	198,000	2,153	20,049	34,216	–	70,625	66,000	–	–	1,195,994	28%
TOTAL KMP Executive	**2019**	**6,403,199**	**2,052,739**	**34,212**	**130,801**	**130,528**	**202,667**	**1,347,940**	**1,534,165**	**953,402**	**1,637,123**	**14,426,776**	
	2018	5,927,044	1,966,550	211,142	122,652	86,741	135,111	807,687	1,072,565	613,997	2,361,113	13,304,602	

(a) Non-monetary benefits include costs relating to company events and the associated fringe benefits tax.

(b) These values have been calculated under accounting standards. The values may not represent the future value that the KMP Executive will receive, as the vesting of the performance rights and cash-settled equity is subject to the Company achieving pre-defined performance hurdles.

(c) Under AASB 2: Share Based Payments, the fair value of cash settled equity awards in re-measured each reporting period. The increase in the fair value of the cash settled equity awards is driven by the increase in share price since grant date. As a result, the fair value of Mr R Stokes' cash settled equity awards increased by $1,343,125. If the awards had been equity settled, the total remuneration reflected in the remuneration table would be $3,502,963 compared to $4,846,088.

(d) Remuneration for the prior year for Mr J Fraser has been pro-rated from his start date as a KMP with Seven Group Holdings Limited. Mr J Fraser ceased as a KMP Executive on 31 July 2019 following his retirement.

(e) Salary & fees for Mr B McWilliam includes $275,000 recharged by Seven West Media Limited the Group, payments to a company associated with Mr B McWilliam that was party to a consulting agreement of $208,327 and director fees of $38,058. The consulting agreement was terminated in April 2019 and Mr B McWilliam now receives director fees from the Group for his services.

C. Remuneration for Non-Executive Directors in FY19

The following table sets out the audited remuneration details for the Non-Executive Directors for the year ended 30 June 2019, calculated in accordance with statutory accounting requirements.

		SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	
Non-Executive Director	Year	Salary & fees $	Non-monetary benefits $	Super-annuation benefits $	Total $
KM Stokes AC	**2019**	**338,219**	**1,858**	**20,531**	**360,608**
(Executive Chairman)	2018	329,951	79,576	20,049	429,576
SA Chaplain	**2019**	**261,969**	**–**	**20,531**	**282,500**
(Non-Executive Director)	2018	259,951	–	20,049	280,000
TJ Davis	**2019**	**221,969**	**–**	**20,531**	**242,500**
(Non-Executive Director)	2018	218,227	–	20,049	238,276
KL Farrar	**2019**	**56,469**	**–**	**5,365**	**61,834**
(Non-Executive Director) – appointed 18 February 2019	2018	–	–	–	–
CJ Mackay	**2019**	**184,931**	**–**	**17,569**	**202,500**
(Non-Executive Director)	2018	182,648	–	17,352	200,000
DI McEvoy	**2019**	**184,931**	**–**	**17,569**	**202,500**
(Non-Executive Director)	2018	182,648	–	17,352	200,000
WL Smith AO	**2019**	**184,931**	**–**	**17,569**	**202,500**
(Non-Executive Director)	2018	182,648	–	17,352	200,000
RA Uechtritz	**2019**	**184,931**	**–**	**17,569**	**202,500**
(Non-Executive Director)	2018	184,303	–	17,509	201,812
Total Non-Executive Directors	**2019**	**1,618,350**	**1,858**	**137,234**	**1,757,442**
	2018	1,540,376	79,576	129,712	1,749,664

End of audited Remuneration Report.

DIRECTORS' REPORT

INDEMNITY

The Constitution of the Company provides an indemnity to any current or former Director and Secretary of the Company against any liabilities incurred by that person, or arising out of, the discharge of duties as an officer of the Company or the conduct of the business of the Company, including associated legal costs defending any proceedings relating to that person's position with the Company in specified circumstances.

As permitted by the Constitution of the Company, the Company has entered into deeds of access, insurance and indemnity with each Director as at the end of the financial year.

No amounts were paid and no actions taken pursuant to these indemnities during the year.

INSURANCE PREMIUMS

The Company has paid insurance premiums in respect of a directors' and officers' liability insurance contract insuring against certain liabilities (subject to exclusions) of all current and former officers of the Company and its subsidiaries, including all Directors named in this report, the Company Secretary and all persons concerned in, or taking part in the management of, the Company and its controlled entities, and former Directors and officers who have retired or relinquished their positions.

The insurance policies prohibit disclosure of the premiums paid in respect of those policies and the nature of the liabilities insured by the policies.

NON-AUDIT SERVICES

During the year Deloitte Touche Tohmatsu, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Audit & Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board in terms of the Company's formal Auditor Independence Policy to ensure that they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 95.

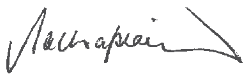
Amounts paid or payable by the Group to the auditor, Deloitte Touche Tohmatsu, for non-audit services provided during the year were $15,000 (refer to Note 33: Auditor's Remuneration for further detail). Total auditor remuneration for the year was $1,065,000.

ROUNDING OFF

The Company is of a kind referred to in ASIC Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars.

Signed for and on behalf of the Board of Directors and in accordance with a resolution of the Directors.

KM Stokes AC
Executive Chairman



SA Chaplain
Chair of the Audit & Risk Committee

Sydney
21 August 2019

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Seven Group Holdings Limited
Level 30
175 Liverpool Street
Sydney NSW 2000

21 August 2019

Dear Board Members

Seven Group Holdings Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Seven Group Holdings Limited.

As lead audit partner for the audit of the financial statements of Seven Group Holdings Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JLGorton

J L Gorton
Partner
Chartered Accountant

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 $m	2018 $m
Continuing operations			
Revenue	4	4,084.0	3,207.9
Other income			
Dividend income		19.5	29.4
Gain on sale of derivatives		–	4.2
Other		34.0	43.0
Total other income		**53.5**	**76.6**
Share of results from equity accounted investees	11	(20.2)	126.7
Gain on conversion of convertible notes	3	28.9	3.8
Revaluation of equity interest on acquisition of Coates Hire	3	–	14.5
Loss on sale of WesTrac China	3	–	(5.3)
Recycling of foreign currency translation reserve on sale of WesTrac China	3	–	79.9
(Impairment)/impairment reversal of equity accounted investee	11	(57.5)	28.6
Fair value movement of derivatives	3	–	0.2
Expenses excluding depreciation and amortisation	4	(3,452.5)	(2,816.7)
Profit before depreciation, amortisation, net finance expense and income tax		**636.2**	**716.2**
Depreciation and amortisation		(200.1)	(145.8)
Profit before net finance expense and income tax		**436.1**	**570.4**
Finance income	5	2.7	5.4
Finance expense	5	(106.5)	(107.1)
Net finance expense		**(103.8)**	**(101.7)**
Profit before income tax		**332.3**	**468.7**
Income tax expense	6	(113.1)	(63.5)
Profit for the year from continuing operations		**219.2**	**405.2**
Profit for the year from discontinued operations		–	10.4
Profit for the year		**219.2**	**415.6**
Profit for the year attributable to:			
Equity holders of the Company		217.3	413.9
Non-controlling interest		1.9	1.7
Profit for the year		**219.2**	**415.6**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Net change in fair value of financial assets at fair value through other comprehensive income	25	92.0	(132.8)
Impact of transition to new accounting standards		(0.7)	–
Income tax relating to items that will not be reclassified subsequently to profit or loss	25	(27.3)	(25.8)
Total items that will not be reclassified subsequently to profit or loss		**64.0**	**(158.6)**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges: effective portion of changes in fair value	25	1.9	(0.1)
Foreign currency differences for foreign operations		3.3	(81.6)
Income tax relating to items that may be reclassified subsequently to profit or loss	25	(1.6)	0.3
Total items that may be reclassified subsequently to profit or loss		**3.6**	**(81.4)**
Total comprehensive income for the year		**286.8**	**175.6**
Total comprehensive income for the year attributable to:			
Equity holders of the Company		284.9	175.0
Non-controlling interest		1.9	0.6
Total comprehensive income for the year		**286.8**	**175.6**

	Note	2019 $	2018 $
Statutory earnings per share (EPS)			
From continuing and discontinued operations			
Basic earnings per share	7	0.65	1.27
Diluted earnings per share	7	0.65	1.24
From continuing operations			
Basic earnings per share	7	0.65	1.24
Diluted earnings per share	7	0.65	1.21

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	2019 $m	2018 $m
Current assets			
Cash and cash equivalents	18	78.1	104.6
Trade and other receivables	8	572.2	580.6
Inventories	10	931.8	828.6
Other financial assets		0.2	2.1
Other current assets		31.9	27.5
Derivative financial instruments	23	0.7	2.8
Assets held for sale		2.1	2.4
Total current assets		**1,617.0**	**1,548.6**
Non-current assets			
Investments accounted for using the equity method	11	1,086.6	1,070.0
Other receivables		2.5	5.2
Other financial assets	22	376.2	466.8
Property, plant and equipment	12	911.9	835.6
Producing and development assets	13	227.3	222.2
Exploration and evaluation assets	14	226.9	219.6
Intangible assets	15	1,624.4	1,617.7
Derivative financial instruments	23	172.5	127.2
Total non-current assets		**4,628.3**	**4,564.3**
Total assets		**6,245.3**	**6,112.9**
Current liabilities			
Trade and other payables	9	404.7	421.2
Interest bearing loans and borrowings	20	31.8	118.1
Deferred income		128.1	109.9
Current tax liability		79.3	3.2
Provisions	16	24.6	73.1
Employee benefits	17	72.9	70.2
Derivative financial instruments	23	0.4	7.4
Total current liabilities		**741.8**	**803.1**
Non-current liabilities			
Other payables		4.7	6.5
Interest bearing loans and borrowings	20	2,043.9	2,022.6
Deferred tax liabilities	6	299.9	259.3
Deferred income		2.0	3.6
Provisions	16	63.5	61.2
Employee benefits	17	15.8	17.2
Derivative financial instruments	23	62.0	104.1
Total non-current liabilities		**2,491.8**	**2,474.5**
Total liabilities		**3,233.6**	**3,277.6**
Net assets		**3,011.7**	**2,835.3**
Equity			
Contributed equity	24	2,883.4	2,858.6
Reserves	25	(816.1)	(887.8)
Retained earnings		932.1	853.2
Total equity attributable to equity holders of the Company		**2,999.4**	**2,824.0**
Non-controlling interest		12.3	11.3
Total equity		**3,011.7**	**2,835.3**

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

Year ended 30 June 2019	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
Balance as at 1 July 2018		**2,858.6**	**(887.8)**	**853.2**	**2,824.0**	**11.3**	**2,835.3**
Profit for the year		–	–	217.3	217.3	1.9	219.2
Impact of transition to new accounting standards		–	–	(0.7)	(0.7)	–	(0.7)
Net change in fair value of financial assets measured at fair value through OCI	25	–	92.0	–	92.0	–	92.0
Cash flow hedges: effective portion of changes in fair value	25	–	1.9	–	1.9	–	1.9
Foreign currency differences for foreign operations	25	–	3.3	–	3.3	–	3.3
Income tax on items of OCI	25	–	(28.9)	–	(28.9)	–	(28.9)
Total comprehensive income for the year		**–**	**68.3**	**216.6**	**284.9**	**1.9**	**286.8**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	26	–	–	(137.7)	(137.7)	(0.9)	(138.6)
Share conversion – convertible notes and TELYS4		31.8	–	–	31.8	–	31.8
Own shares acquired	24	(9.1)	–	–	(9.1)	–	(9.1)
Shares vested and transferred to employees	24	2.1	(2.1)	–	–	–	–
Share based payments		–	5.5	–	5.5	–	5.5
Total contributions by and distributions to owners		**24.8**	**3.4**	**(137.7)**	**(109.5)**	**(0.9)**	**(110.4)**
Total movement in equity for the year		**24.8**	**71.7**	**78.9**	**175.4**	**1.0**	**176.4**
Balance as at 30 June 2019		**2,883.4**	**(816.1)**	**932.1**	**2,999.4**	**12.3**	**3,011.7**
Year ended 30 June 2018							
Balance as at 1 July 2017		**2,472.9**	**(647.7)**	**588.0**	**2,413.2**	**12.0**	**2,425.2**
Profit for the year		–	–	413.9	413.9	1.7	415.6
Net change in fair value of financial assets measured at fair value through OCI	25	–	(132.8)	–	(132.8)	–	(132.8)
Cash flow hedges: effective portion of changes in fair value	25	–	(0.1)	–	(0.1)	–	(0.1)
Foreign currency differences for foreign operations	25	–	(80.5)	–	(80.5)	(1.1)	(81.6)
Income tax on items of other OCI	25	–	(25.5)	–	(25.5)	–	(25.5)
Total comprehensive income for the year		**–**	**(238.9)**	**413.9**	**175.0**	**0.6**	**175.6**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	26	–	–	(125.6)	(125.6)	(1.3)	(126.9)
TELYS4 dividends paid	26	–	–	(23.1)	(23.1)	–	(23.1)
Shares issued	24	385.4	–	–	385.4	–	385.4
Own shares acquired	24	(0.7)	–	–	(0.7)	–	(0.7)
Shares vested and transferred to employees	24	1.0	(1.0)	–	–	–	–
Share based payments		–	(0.2)	–	(0.2)	–	(0.2)
Total contributions by and distributions to owners		**385.7**	**(1.2)**	**(148.7)**	**235.8**	**(1.3)**	**234.5**
Total movement in equity for the year		**385.7**	**(240.1)**	**265.2**	**410.8**	**(0.7)**	**410.1**
Balance as at 30 June 2018		**2,858.6**	**(887.8)**	**853.2**	**2,824.0**	**11.3**	**2,835.3**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2019

	Note	2019 $m	2018 $m
Cash flows related to operating activities			
Receipts from customers		4,497.6	3,314.3
Payments to suppliers and employees		(4,019.6)	(3,036.4)
Dividends and distributions received from equity accounted investees		12.8	22.6
Other dividends received		33.6	44.3
Interest and other items of a similar nature received		2.8	6.7
Interest and other costs of finance paid		(88.4)	(90.1)
Income taxes paid		(28.2)	(8.3)
Net operating cash flows	**19**	**410.6**	**253.1**
Cash flows related to investing activities			
Payments for purchases of property, plant and equipment		(273.7)	(139.9)
Proceeds from sale of property, plant and equipment		29.9	12.0
Payments for purchase of intangible assets		(8.4)	(13.4)
Proceeds from sale of intangible assets		–	0.1
Payment for production, development and exploration expenditure		(9.7)	(8.5)
Payments for other investments		(12.0)	(53.1)
Proceeds from sale of other financial assets		200.2	60.3
Consideration for business combinations, net of cash acquired		(4.6)	–
Proceeds from sale of subsidiary, net of cash disposed		–	535.3
Acquisition of subsidiaries, net of cash acquired and transaction costs		–	(487.9)
Acquisition of equity accounted investees		(111.4)	(118.5)
Proceeds from sale of shares in equity accounted investees		1.0	–
Loans and deposits paid		(0.2)	(2.5)
Net investing cash flows		**(188.9)**	**(216.1)**
Cash flows related to financing activities			
Ordinary dividends paid	26	(137.7)	(125.6)
TELYS4 dividends paid	26	–	(23.1)
Dividend paid to non-controlling interests		(0.9)	(1.3)
Proceeds from borrowings		403.1	1,186.2
Repayment of borrowings		(513.0)	(1,868.0)
Transaction costs on equity conversion		(0.3)	–
Proceeds from issue of shares		–	385.2
Proceeds from issue of convertible notes		–	344.5
Net financing cash flows		**(248.8)**	**(102.1)**
Net decrease in cash and cash equivalents		**(27.1)**	**(65.1)**
Cash and cash equivalents at beginning of the year		104.6	172.5
Effect of exchange rate changes on cash and cash equivalents		0.6	(2.8)
Cash and cash equivalents at end of the year	18	**78.1**	**104.6**

The consolidated cash flow statement is to be read in conjunction with the notes to the financial statements.

BASIS OF PREPARATION

1. BASIS OF PREPARATION

Seven Group Holdings Limited (the Company) is a for profit company limited by shares and the shares are publicly traded on the Australian Securities Exchange (ASX). The Company is domiciled in Australia. These consolidated financial statements cover the year ended 30 June 2019 and comprise the Company and its subsidiaries (together referred to as the Group), and the Group's interest in equity accounted investees.

The financial report was authorised for issue in accordance with a resolution of the Directors on 21 August 2019.

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial report is prepared on the historical cost basis except for the following items:

- financial instruments that are measured at amortised cost or fair value through other comprehensive income;
- derivative financial instruments are measured at fair value through profit or loss; and
- liabilities for cash-settled share based payments are measured at fair value through profit or loss.

The Company is of a kind referred to in ASIC Instrument 2016/191 and in accordance with that Instrument, amounts in the Directors' Report and consolidated financial statements have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars.

(A) Accounting policies

Note 1 sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This note also outlines new accounting policies and the expected impact on the financial position and performance of the Group.

With the exception of the points outlined below, the accounting policies set out in this financial report have been consistently applied by group entities and equity accounted investees. The Group has considered, and adjusted where necessary, the impact of Group equity accounted investees whose accounting policy does not align with the Group's policy.

- Recognition of deferred tax liabilities on indefinite life intangible assets.
- Accounting for exploration and evaluation assets.

AASB 15: Revenue from Contracts with Customers (AASB 15)

In accordance with elections available under AASB 15, the new revenue recognition accounting policies are effective from 1 July 2018, the mandatory application date of the standard. Comparative information has not been restated and continues to be prepared under the policies disclosed in the 2018 Annual Report in accordance with the modified retrospective transition approach.

The standard has only been applied to those contracts that were open at 1 July 2018.

AASB 15 provides a comprehensive framework for determining whether revenue is recognised, the amount and timing of revenue recognition. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring control of goods or services to a customer, rather than on the transfer of risks and rewards to the customer. This provides a more structured approach to revenue recognition.

Impact of AASB 15 application

The Group undertook a detailed review of its revenue contracts and the transition to AASB 15 has resulted in some changes in accounting policy. Refer to Note 4: Revenue and Expenditure for the revised accounting policy.

(B) Dividend income

Dividend income is recognised net of any related taxes. Dividend income is recognised when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(C) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Where there is loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

All inter-company balances and transactions, including unrealised gains arising from intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Non-controlling interests in the equity and the results of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

(D) Critical accounting estimates and judgements

The preparation of financial statements requires that management make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are incorporated and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are outlined in the relevant note.

(E) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial report is presented in Australian Dollars, which is the Company's functional and presentation currency.

Transactions

Foreign currency transactions are translated into the respective functional currencies of Group entities using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity such as for qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in the fair value through other comprehensive income reserve in equity.

Foreign group entities

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from Australian Dollars are translated into Australian Dollars as follows:

- assets and liabilities are translated at the closing rate at the balance date;
- income and expenses of foreign entities are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction); and
- all resulting exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve.

Borrowings and other financial instruments designated as hedges of any net investment in a foreign entity are recognised in other comprehensive income and presented in the foreign currency translation reserve. When a foreign entity is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are transferred to profit or loss as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(F) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(G) New accounting standards

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied a number of new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2018.

New and revised Standards and amendments thereof and interpretations effective for the current year that are relevant to the Group include:

- AASB 15: Revenue from Contracts with Customers. Refer to Note 1(A) and Note 4 for further detail.
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions.
- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28).

A number of new standards, amendments to standards and interpretations are effective for future reporting periods. These have not been applied in preparing this financial report. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB Interpretation 23: Uncertainty over income tax treatment (Interpretation 23)

Interpretation 23 addresses accounting for income taxes when the tax treatments involve uncertainty that affects the application of AASB 112: Income Taxes and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Interpretation 23 is effective for the Group's financial report for the year ending 30 June 2020. The Group does not plan to adopt the Interpretation early.

AASB 16: Leases (AASB 16)

AASB 16 removes the lease classification test for lessees and requires all leases (with the exception of short-term leases of less than 12 months) to be brought onto the balance sheet for lessees. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. It is mandatory for the Group's 30 June 2020 financial statements. Refer to Note 34: Application of AASB 16: Leases for further detail.

With the exception of AASB 16, there are no other standards or amendments not yet effective which are expected to have a material effect on the financial statements in the current or future reporting periods.

RESULTS FOR THE YEAR

2. OPERATING SEGMENTS

Recognition and measurement

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's executive management team and Board to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the executive management team and Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, oil and natural gas assets and intangible assets other than goodwill.

The operating segments are identified by management based on the manner in which products are sold, the nature of services provided and country of origin.

WesTrac	WesTrac is the authorised Caterpillar dealer (including Bucyrus/Expanded Mining Products) in Western Australia, New South Wales and the Australian Capital Territory, providing heavy equipment sales and support to customers.
Coates Hire	Coates Hire is Australia's largest general equipment hire company and provides a full range of general and specialist equipment to a wide variety of markets including engineering, building construction and maintenance, mining and resources, manufacturing, government and events.
AllightSykes	AllightSykes represents the Group's operations in the manufacture, assembly, sales and support of lighting towers, FG Wilson power generation and dewatering equipment as well as distribution of Perkins engines.
Media investments	Media investments relate to investments in listed and unlisted media organisations, including but not limited to, Seven West Media Limited.
Energy	Energy relates to the Group's 11.2 per cent working interest in the Bivins Ranch basin in Texas USA, the Group's wholly-owned interest in SGH Energy Pty Limited and the Group's equity accounted investment in Beach Energy Limited (Beach Energy).
Other investments	Other investments incorporates listed investments and property.

The Group is domiciled in Australia and operates predominantly in Australia. Further details of other countries in which the Group operates is provided in this Note.

The Group's operations comprising the WesTrac China segment were disposed of during the prior year. Accordingly, the segment information reported does not include any amounts for the discontinued operations.

	2019 $m	2018 $m
Reconciliation of segment EBIT to net profit before tax per consolidated income statement		
Segment net operating profit before net finance expense and tax (EBIT)	714.4	512.6
Corporate operating costs	(19.3)	(15.7)
Gain on sale of derivatives	–	4.2
Revaluation of equity interest on acquisition of Coates Hire	–	14.5
Loss on sale of WesTrac China	–	(5.3)
Recycling of foreign currency translation reserve on sale of WesTrac China	–	79.9
Gain on conversion of convertible notes	28.9	3.8
Share of significant items relating to results from equity accounted investees	(230.4)	(17.4)
Fair value movement of derivatives	–	0.2
(Impairment)/impairment reversal of equity accounted investees	(57.5)	28.6
Impairment of non-current assets	–	(40.5)
Restructuring and redundancy costs	–	(0.5)
Other significant items	–	6.0
Net finance expense	(103.8)	(101.7)
Profit before income tax per consolidated income statement	**332.3**	**468.7**
Reconciliation of segment operating assets to total assets per consolidated statement of financial position		
Segment operating assets	5,991.0	5,872.1
Corporate cash holdings	78.1	104.6
Derivative financial instruments	173.2	130.0
Assets held at corporate level	0.9	3.8
Assets held for sale	2.1	2.4
Total assets per consolidated statement of financial position	**6,245.3**	**6,112.9**
Reconciliation of segment operating liabilities to total liabilities per consolidated statement of financial position		
Segment operating liabilities	(667.3)	(720.4)
Derivative financial instruments	(62.4)	(111.5)
Interest bearing loans and borrowings – current	(31.8)	(118.1)
Interest bearing loans and borrowings – non-current	(2,043.9)	(2,022.6)
Current tax liability	(79.3)	(3.2)
Deferred tax liabilities	(299.9)	(259.3)
Liabilities held at corporate level	(49.0)	(42.5)
Total liabilities per consolidated statement of financial position	**(3,233.6)**	**(3,277.6)**
Non-current assets by geographic segment		
Australia	2,863.6	2,776.2
United Arab Emirates	2.5	2.6
Indonesia	11.0	10.4
United States of America	115.1	110.0
New Zealand	0.8	1.1
Total non-current assets by geographic segment	**2,993.0**	**2,900.3**

Non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) is outlined above. Segment assets are allocated to countries based on where the assets are located

RESULTS FOR THE YEAR

2. OPERATING SEGMENTS (CONTINUED)

	WesTrac[a]		Coates Hire[a]		AllightSykes[a]		Media investments[b]		Energy		Other investments		Total	
	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m	2019 $m	2018 $m
Segment revenue														
Sales to external customers	3,041.3	2,452.2	956.5	649.8	77.6	91.2	–	–	6.5	5.9	2.1	8.8	4,084.0	3,207.9
by geographic segment														
Australia	3,041.3	2,452.2	936.5	638.3	42.1	58.9	–	–	–	–	2.1	8.8	4,022.0	3,158.2
United Arab Emirates	–	–	–	–	22.8	22.3	–	–	–	–	–	–	22.8	22.3
Indonesia	–	–	20.0	11.5	–	–	–	–	–	–	–	–	20.0	11.5
United States of America	–	–	–	–	8.7	3.8	–	–	6.5	5.9	–	–	15.2	9.7
New Zealand	–	–	–	–	4.0	6.2	–	–	–	–	–	–	4.0	6.2
Segment result														
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)[c]	337.6	231.3	328.1	243.0	2.2	4.4	65.9	72.6	159.1	73.8	21.4	33.3	914.3	658.4
Depreciation and amortisation	(52.0)	(28.6)	(144.5)	(113.6)	(0.9)	(1.4)	–	–	(2.5)	(2.0)	–	(0.2)	(199.9)	(145.8)
Segment earnings before interest and tax (EBIT)[d]	**285.6**	**202.7**	**183.6**	**129.4**	**1.3**	**3.0**	**65.9**	**72.6**	**156.6**	**71.8**	**21.4**	**33.1**	**714.4**	**512.6**
Other segment information														
Share of results of equity accounted investees included in segment EBIT (excluding significant items)[e]	2.9	1.7	–	11.4	–	–	50.6	57.0	158.4	73.3	(1.7)	0.7	210.2	144.1
(Impairment)/impairment reversal of assets	–	(29.2)	–	–	–	–	(57.5)	28.0	–	(5.7)	–	(5.0)	(57.5)	(11.9)
Capital expenditure	(61.8)	(35.1)	(218.7)	(117.1)	(0.9)	(0.7)	–	–	(9.7)	(8.5)	–	–	(291.1)	(161.4)
Investments accounted for using the equity method	33.8	31.2	–	–	–	–	284.6	516.6	741.6	493.4	26.6	28.8	1,086.6	1,070.0
Other segment assets	1,881.1	1,761.3	2,117.3	2,054.8	48.8	51.9	179.8	137.6	454.5	442.5	222.9	354.0	4,904.4	4,802.1
Segment assets	**1,914.9**	**1,792.5**	**2,117.3**	**2,054.8**	**48.8**	**51.9**	**464.4**	**654.2**	**1,196.1**	**935.9**	**249.5**	**382.8**	**5,991.0**	**5,872.1**
Segment liabilities	**(435.6)**	**(476.8)**	**(150.3)**	**(161.0)**	**(15.1)**	**(10.2)**	**–**	**–**	**(64.5)**	**(62.5)**	**(1.8)**	**(9.9)**	**(667.3)**	**(720.4)**

(a) Segment results above have been reduced in relation to the elimination of sales between Group entities.
(b) Media investments comprise investments accounted for using the equity method and financial assets fair valued through other comprehensive income.
(c) Segment EBITDA comprises profit before depreciation and amortisation, net finance expense, income tax and significant items.
(d) Segment EBIT comprises profit before net finance expense, income tax and significant items.
(e) Segment EBITDA, EBIT and share of results of equity accounted investees excludes the share of results from equity accounted investees attributable to significant items.

Refer to Note 3: Significant Items for further details on significant items.

3. SIGNIFICANT ITEMS

Profit before income tax includes the following income and expenses for which disclosure is relevant in explaining the underlying financial performance of the Group.

	2019 $m	2018 $m
Continuing operations		
Gain on conversion of convertible notes	28.9	3.8
Gain on sale of derivatives	–	4.2
(Impairment)/impairment reversal of equity accounted investee	(57.5)	28.6
Share of results from equity accounted investees attributable to significant items	(230.4)	(17.4)
Revaluation of equity interest on acquisition of Coates Hire	–	14.5
Loss on sale of WesTrac China	–	(5.3)
Recycling of foreign currency translation reserve on sale of WesTrac China	–	79.9
Impairment of non-current assets	–	(40.5)
Fair value movement of derivatives	–	0.2
Restructuring and redundancy costs	–	(0.5)
Significant items in finance expense	(1.0)	–
Acquisition transaction costs incurred	–	(1.3)
Significant items in other income	–	7.3
Total significant items before income tax	**(260.0)**	**73.5**
Income tax benefit on significant items	0.3	9.8
Total significant items – continuing operations	**(259.7)**	**83.3**

Gain on conversion of convertible notes relates to the fair value gain recognised on the conversion of the convertible note derivative following shareholder approval at the 2018 Annual General Meeting.

(Impairment)/impairment reversal of equity accounted investee relates to the (impairment)/impairment reversal of the Group's investment in the ordinary equity of Seven West Media Limited. Refer also to Note 11: Investments Accounted for Using the Equity Method.

Share of results from equity accounted investees attributable to significant items relates to the Group's share of significant items included in the results of equity accounted investees, such as the gain or loss on the sale of properties or investments, redundancy and acquisition costs, impairment of assets and onerous contracts. In particular, the current year includes the impact of the Group's share of the writedown of Seven West Media's intangible assets (including television licences, mastheads and goodwill) of $478.0 million.

4. REVENUE AND EXPENDITURE

With effect from 1 July 2018, the Group has adopted AASB 15: Revenue from Contracts with Customers. As a result, the Group has revised its accounting policies to determine whether revenue is recognised, the amount and timing of revenue recognition.

The updated accounting policies are outlined below. Comparative information has not been restated and continues to be prepared under the Revenue policies disclosed in the 2018 Annual Report in accordance with the modified retrospective transition approach.

Accounting policy

Revenues from contracts with customers are recognised at the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring control of goods or services to a customer. Revenue is recognised net of goods and services tax (GST).

Sales revenue is recognised at the point in time that the control of the good or service has passed to the customer and performance obligations have been met. Where required, amounts relating to future performance obligations are deferred and recognised over time as the obligation is performed. Amounts are estimated using judgement, historical experience and the specific terms of the agreement with the customer to determine the amount and timing of revenue recognised.

RESULTS FOR THE YEAR

4. REVENUE AND EXPENDITURE (CONTINUED)

Revenue from contracts with customers

Revenue from product sales	Revenue associated with the sale of goods is recognised at the point in time that each performance obligation of the sale has been fulfilled and control of the goods has passed to the customer. Product and service warranties and training provided on new product sales are distinct performance obligations and part of the sale consideration is deferred and recognised over time as the performance obligation is met.
Revenue from product support	Revenue from product support is recognised in the accounting period in which the services are rendered. Revenue from contracts is recognised when distinct performance obligations under the contract are met. For maintenance and repair contracts (MARCs), an assessment is made on a contract by contract basis, except where a portfolio approach is adopted. The portfolio approach is applied to a group of contracts (or performance obligations) with similar characteristics where it is reasonably expected that the effects on the financial results are not materially different to the effects of applying the standard on a contract by contract basis. Under the portfolio approach, the MARCs have been deemed as a distinct performance obligation to continuously make available a fleet of machinery to a customer. WesTrac's MARCs are assessed to consider whether modifications or extensions create a separate contract for services. These obligations are recognised in deferred income and taken to revenue as the future service is provided. MARC continue to have critical assessment and judgement by management in preparing the assessment.
Revenue from hire of equipment	Hire of equipment revenue is recognised on receipt of equipment by the customer which is when control passes and the performance obligations are met. Revenue is recognised over the period of the hire agreement, which in the majority of cases is on a daily basis.
Revenue from sale of oil, gas and condensate	Revenue is derived from the sale of oil, gas and condensate and is recognised based on volumes sold under contracts with customers at the point in time where performance obligations are considered to be met. Generally, the performance obligation will be met when the product is delivered to specified measurement point (gas) or point of loading/unloading (liquids).
Other revenue	Other revenue is recognised at the point in time that all performance obligations have been met. In the case of property sales, it is on completion of the contract and transfer of title.

Critical accounting estimates and judgements

Revenue recognition – MARC

Contract revenues and expenses are recognised over time for each identifiable component. In determining revenue and expense for MARC, management makes assumptions and estimates regarding the work performed to date as a percentage of the total work to be performed and estimated revenues and expenses over the life of the contract. Contract variations are accounted for as modifications when they have been approved by the customer. Depending on the nature of the modification they are treated as either a separate performance obligation or a modification of an existing performance obligation.

	2019 $m	2018 $m
Continuing operations		
Revenue from contracts with customers		
Product sales	928.1	687.9
Product support	2,185.0	1,860.9
Hire of equipment[(a)]	962.3	644.4
Oil, gas and condensate sales	6.5	5.9
Other revenue	2.1	8.8
Total revenue	**4,084.0**	**3,207.9**
Expenditure excluding depreciation and amortisation		
Materials cost of inventory sold and used in product sales and product support	(2,083.1)	(1,684.1)
Repairs, maintenance and consumables used on equipment hire[(a)]	(146.7)	(97.8)
Employee benefits	(789.8)	(630.9)
Operating lease rental	(117.8)	(98.2)
Impairment of non-current assets	–	(40.5)
Other expenses	(315.1)	(265.2)
Total expenses excluding depreciation and amortisation	**(3,452.5)**	**(2,816.7)**

(a) Prior period figure relates to the period from 25 October 2017 to 30 June 2018 being the period of full ownership of Coates Hire.

The Group disaggregates revenue by operating segment. Disaggregation of sales by geographic area is based on customer location. Refer to Note 2: Operating Segments for revenue by operating segment and geographical split.

5. NET FINANCE EXPENSE

Accounting policy

Net finance expense comprises interest payable on borrowings calculated using the effective interest method, unwinding of discount on provisions and deferred consideration and interest receivable on funds invested.

Interest income and interest expense include components of finance lease payments which are recognised in profit or loss as they accrue using the effective interest method. Interest expense also includes the net fair value adjustment for cash-settled share-based payments.

	2019 $m	2018 $m
Continuing operations		
Finance income		
Interest income on bank deposits	1.8	3.6
Other	0.9	1.8
Total finance income	**2.7**	**5.4**
Finance expense		
Interest expense	(98.2)	(99.3)
Borrowing costs	(5.5)	(5.2)
Unwind of discount on provisions	(2.8)	(2.6)
Total finance expense	**(106.5)**	**(107.1)**
Net finance expense	**(103.8)**	**(101.7)**

Interest expense includes $1.6 million (2018: $4.2 million) in relation to the fair value movement of cash settled share-based payments, and in the prior year, cash settled share appreciation rights.

RESULTS FOR THE YEAR

6. INCOME TAX

Accounting policy

Income tax expense comprises current and deferred tax expense. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax expense for the period is the expected tax payable on the current period's taxable income based on the enacted or substantively enacted income tax rate for each jurisdiction adjusted by changes to tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences arising between the expected tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities that will impact tax expense in the period if such a determination is made.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Seven Group Holdings Limited.

Critical accounting estimate and judgement

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the provision for income taxes and the tax cost base of assets and liabilities.

Management judgement is also applied in assessing the recoverability of revenue and capital losses recognised as deferred tax assets by the Group. Deferred tax assets have been recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities and joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and/or it is probable that the differences will not reverse in the foreseeable future.

There are many transactions and calculations undertaken for which the ultimate tax determination is uncertain. Assumptions are made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets, liabilities and provision for income taxes recorded in the statement of financial position. In these circumstances the carrying amount of deferred tax assets, liabilities and provision for income taxes may change impacting the profit or loss of the Group.

	Note	2019 $m	2018 $m
Continuing operations			
Income tax expense			
Current tax expense		(85.9)	(36.6)
Deferred tax expense		(18.7)	(20.3)
Adjustment for prior years		(8.5)	(6.6)
Total income tax expense – continuing operations		**(113.1)**	**(63.5)**
Reconciliation between tax expense and pre-tax statutory profit:			
Income tax using the domestic corporation tax rate 30%		(99.7)	(140.6)
Franked dividends		5.9	16.0
Share of equity accounted investee's net (loss)/profit		(6.1)	38.8
Non-assessable income		12.8	29.9
Non-deductible expenses		(17.5)	(1.0)
Under provided in prior years		(8.5)	(6.6)
Income tax expense – continuing operations		**(113.1)**	**(63.5)**
Deferred income tax recognised in other comprehensive income			
Relating to financial assets at fair value through other comprehensive income	25	(20.3)	(25.8)
Relating to cash flow hedge reserve	25	(1.6)	0.3
Total deferred income tax recognised directly in equity or OCI		**(21.9)**	**(25.5)**
Discontinued operations			
Income tax expense			
Deferred tax expense		–	(4.7)
Total income tax expense – discontinued operations		**–**	**(4.7)**
Reconciliation between tax expense and pre-tax statutory profit:			
Income tax using the domestic corporation tax rate 30%		–	(4.7)
Income tax expense – discontinued operations		**–**	**(4.7)**

RESULTS FOR THE YEAR

6. INCOME TAX (CONTINUED)

Year ended 30 June 2019	Opening balance $m	Recognised in profit $m	Recognised in OCI $m	Other $m	Closing balance $m
Continuing operations					
Deferred tax assets and liabilities					
Investments	(88.3)	(26.1)	(20.3)	–	(134.7)
Derivative financial instruments	9.2	0.3	(1.6)	–	7.9
Inventories and receivables	2.2	(2.2)	–	–	–
Property, plant and equipment	(93.2)	(3.8)	–	–	(97.0)
Indefinite life tangibles	(155.6)	20.3	–	–	(135.3)
Trade and other payables	21.8	(4.7)	–	–	17.1
Provisions	39.1	0.3	–	–	39.4
Tax losses	10.4	(10.4)	–	–	–
Transaction costs deducted over five years	(0.2)	1.8	–	–	1.6
Other	(4.7)	5.8	–	–	1.1
Net deferred tax liability	**(259.3)**	**(18.7)**	**(21.9)**	**–**	**(299.9)**

Year ended 30 June 2018	Opening balance $m	Recognised in profit $m	Recognised in OCI $m	Other $m	Closing balance $m
Deferred tax assets and liabilities					
Investments	(80.2)	17.7	(25.8)	–	(88.3)
Derivative financial instruments	9.2	9.0	0.3	(9.3)	9.2
Inventories and receivables	(0.4)	(0.1)	–	2.7	2.2
Property, plant and equipment	(40.5)	(1.9)	–	(50.8)	(93.2)
Intangible assets	(96.4)	(19.9)	–	(39.3)	(155.6)
Trade and other payables	39.1	(28.6)	–	11.3	21.8
Provisions	24.7	9.0	–	5.4	39.1
Tax losses	19.2	–	–	(8.8)	10.4
Transaction costs deducted over five years	0.2	(0.4)	–	–	(0.2)
Other	2.7	(5.1)	–	(2.3)	(4.7)
Net deferred tax liability	**(122.4)**	**(20.3)**	**(25.5)**	**(91.1)**	**(259.3)**

As at 30 June 2019, the Group had not recognised:

- deferred tax assets of $343.4 million (2018: $271.7 million) for deductible temporary differences relating to unrealised tax benefits as it is not probable that future gains will be realised against which it could utilise the benefits;
- deferred tax asset of $488.6 million (2018: $410.2 million) for deductible temporary differences relating to Petroleum Resource Rent Tax credits;
- deferred tax assets of $15.4 million (2018: $16.0 million) for foreign tax losses substantiated in 2016 with $14.5 million due to expire by 2034; and
- deferred tax liabilities of $7.3 million (2018: $5.7 million) in respect of assessable temporary differences in relation to investments where management controls the timing of the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future.

7. EARNINGS PER SHARE

Accounting policy

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Underlying earnings per share from continuing operations is statutory earnings per share adjusted for significant items. The weighted average number of shares used to calculate underlying earnings per share is the same as the weighted average number of shares used to calculate statutory earnings per share.

In the prior year, Profit or loss attributable to ordinary shareholders is stated after allocation of the portion of profit or loss attributable to holders of TELYS4.

	2019 $	2018 $
Statutory earnings per share		
Basic		
From continuing operations	0.65	1.24
From discontinued operations	–	0.03
Total basic earnings per share	**0.65**	**1.27**
Diluted		
From continuing operations	0.65	1.21
From discontinued operations	–	0.03
Total diluted earnings per share	**0.65**	**1.24**

	2019 $m	2018 $m
Earnings reconciliation by category of share		
Ordinary shares	217.3	390.8
TELYS4	–	23.1
Net profit attributable to equity holders of the Company	**217.3**	**413.9**

	Note	2019 Million	2018 Million
Weighted average number of shares			
Ordinary shares for basic earnings per share			
Issued shares as at 1 July		316.5	281.2
Shares issued	24	–	35.3
Conversion of TELYS4 shares into ordinary shares	24	22.9	–
Issued shares as at 30 June		**339.4**	**316.5**
Weighted average number of shares (basic) as at 30 June		333.8	**307.8**
Weighted average number of shares (diluted) as at 30 June[(a)(b)]		334.9	**313.6**
TELYS4			
Issued shares at as 1 July		5.0	5.0
Conversion of TELYS4 shares into ordinary shares		(5.0)	–
Issued shares as at 30 June		**–**	**5.0**
Weighted average number of shares (basic and diluted) as at 30 June		**–**	**5.0**

(a) Weighted average number of shares adjusted for effect of treasury shares held.
(b) Weighted average number of shares in the prior year adjusted for effect of convertible bonds issued on 5 March 2018.

There were 1.0 million options that were exercisable, dilutive or anti-dilutive in the current year (2018: 5.8 million).

RESULTS FOR THE YEAR

7. EARNINGS PER SHARE (CONTINUED)

	2019 $	2018 $
Underlying earnings per share		
Basic		
From continuing operations	1.43	0.97
From discontinued operations	–	0.03
Total basic underlying earnings per share	**1.43**	**1.00**
Diluted		
From continuing operations	1.42	0.95
From discontinued operations	–	0.03
Total diluted underlying earnings per share	**1.42**	**0.98**

Underlying earnings per share is reconciled to statutory profit or loss as follows:

Continuing and discontinued operations	2019 $m	2018 $m
Underlying earnings reconciliation by category of share		
Net profit attributable to equity holders of the Company	217.3	413.9
Less: significant items (refer Note 3)	259.7	(83.3)
Underlying net profit attributable to equity holders of the Company	477.0	330.6
Allocated underlying earnings to category of share		
Ordinary shares	477.0	307.5
TELYS4	–	23.1
Net underlying earnings attributable to equity holders of the Company	**477.0**	**330.6**

OPERATING ASSETS AND LIABILITIES

8. TRADE AND OTHER RECEIVABLES

Accounting policy

Trade receivables are initially recognised at the fair value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost) less provision for expected loss allowance. Trade receivables are generally due for settlement no more than 30 days from the date of recognition with the exception of certain WesTrac and Coates Hire customers with alternative settlement terms.

The Group has an established credit policy under which new customers are analysed individually for creditworthiness before the Group's standard payment, delivery terms and conditions are offered. The Group's review includes external ratings, when available. Purchase limits are established for each customer and these limits are reviewed annually or upon request. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group upon lodging of a bank guarantee as a security document or on a strictly pre-paid (cleared funds) only basis.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. Under the expected credit loss model, a loss allowance for receivables is established based on the expected credit losses over the lifetime of expected credit losses for the financial asset. The calculation of expected credit loss considers the impact of past events and exercises judgement over the impact of current and future economic conditions. The amount of the provision is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

	2019 $m	2018 $m
Current		
Trade receivables	496.5	505.0
Loss allowance	(8.8)	(10.3)
Other receivables	84.5	85.9
Total trade and other receivables	**572.2**	**580.6**

Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value. The creation and release of the loss allowance for expected credit loss has been included in other expenses in profit or loss. For further detail on the Group and the Company's expected exposure to credit risk, refer to Note 21: Financial Risk Management.

9. TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within normal trading terms.

	2019 $m	2018 $m
Current		
Trade payables	250.6	237.4
Other payables	24.1	29.6
Accruals	127.7	154.2
Cash settled share based payments	2.3	–
Total trade and other payables – current	**404.7**	**421.2**

The Group's trade and other payables (excluding accruals) are due to mature within one year. Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

The Company has entered into a Deed of Cross Guarantee with certain subsidiaries as described in Note 31: Controlled Entities. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event that any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and parties to the Deed are set out in Note 31.

OPERATING ASSETS AND LIABILITIES

10. INVENTORIES

Accounting policy

Inventories are measured at the lower of cost and net realisable value.

Cost is based on the actual costs, with the exception of exchange component inventory and parts inventory for which cost is based on weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Net realisable value is determined on the basis of the Group's normal selling pattern. Expenses for marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

Critical accounting estimate and judgement

Management is required to make judgements regarding writedowns to determine the net realisable value of inventory. These writedowns consider factors such as the age and condition of goods as well as recent market data to assess the estimated future demand for the goods.

	2019 $m	2018 $m
Raw materials – at cost	18.1	28.5
Work-in-progress – at cost	82.2	85.8
Finished goods		
– at cost	791.2	688.4
– at net realisable value	40.3	25.9
Total finished goods	**831.5**	**714.3**
Total inventories	**931.8**	**828.6**

Work-in-progress includes $6.1 million (2018: $7.0 million) in relation to the development of residential properties at Seven Hills, Western Australia.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Accounting policy

Investments accounted for using the equity method comprise investments in associates and joint ventures (equity accounted investees). Investments in equity accounted investees are initially recognised at cost and subsequently accounted for using the equity method.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence generally exists when the Group holds between 20 and 50 per cent of the voting rights of another entity, unless it can be clearly demonstrated that this is not the case.

Joint ventures are those entities over whose activities the Group has joint control and rights to the net assets of the arrangement, rather than rights to the assets and obligations for its liabilities.

The Group's investments includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post acquisition income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group. When the Group's share of losses equals or exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Dividends received or receivable from equity accounted investees are recognised as a reduction in the carrying amount of the investment.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in that investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Critical accounting estimates and judgements

Control, joint control or significant influence

Significant judgement and assumptions are made in determining whether an entity has control, joint control or significant influence over another entity and the type of the joint arrangement. In considering the classification, management considers whether control, significant influence or joint control exists, the nature and structure of the relationship and other facts and circumstances.

Beach Energy Limited (Beach Energy)

On 14 November 2018, the Group's investment in Beach Energy Limited increased by three per cent following the acquisition of an additional 68.0 million shares. The Group now holds a 28.6 per cent interest in Beach Energy and continues to classify its investment as an associate. The Group has the ability to significantly influence, but not control or jointly control, the financial and operating decisions of Beach Energy through its investment and board representation.

Seven West Media Limited (Seven West Media)

The Group has classified its investment in Seven West Media as an associate as the Group, through its 41.0 per cent ownership interest and equivalent voting rights has the ability to significantly influence, but not control or jointly control the financial and operating policy decisions of Seven West Media. Given the 41.0 per cent ownership interest, management continue to assess that the Group has significant influence, but not control, over Seven West Media. This reflects the conclusion that significant uncertainty exists in determining whether the Group's Key Management Personnel exerts de facto control over the significant operational decisions of Seven West Media given the historical level non-SGH related vote participation at AGMs and its majority independent board (the Group only has 3 out of 11 directors), the Group does not control Seven West Media and is therefore not required to consolidate Seven West Media at 30 June 2019.

Impairment of investments accounted for using the equity method

In accordance with AASB 136: *Impairment of Assets*, the recoverable amount of assets is the greater of its value-in-use and its fair value less cost of disposal. In the absence of quoted market prices, an asset's value-in-use is calculated by estimating the present value of future cash flows using an asset specific discount rate. These calculations also require the use of assumptions regarding profit margins, growth rates and discount rates.

In determining the amount of impairment for equity accounted investees that are listed, management has made judgements in identifying financial assets that are impaired due to industry factors or whose decline in fair value below original cost is considered significant or prolonged. A significant decline is assessed based on the percentage decline from acquisition cost of the share, while a prolonged decline is based on the length of the time over which the share price has been depressed below cost. Management considers a decline of 30 per cent to be significant and a period of 12 months to be prolonged.

				OWNERSHIP INTEREST	
Investee	**Principal activities**	**Country of incorporation**	**Balance date**	**2019 %**	**2018 %**
Associates					
Beach Energy Limited[(a)]	Oil and gas exploration, development, production	Australia	30 Jun	28.6%	25.6%
Energy Power Systems Australia Pty Ltd	Distribution and rental of CAT engine products	Australia	30 Jun	40.0%	40.0%
Impulse Screen Media Pty Ltd	Technology	Australia	30 Jun	36.0%	40.0%
iSeekplant Pty Ltd	Online services	Australia	30 Jun	19.9%	19.9%
Mo's Mobiles Pty Limited	Mobile phone retailer	Australia	30 Jun	25.0%	25.0%
Premier Capital Developments Pty Limited[(b)]	Property management	Australia	30 Jun	–	25.0%
Seven West Media Limited	Media	Australia	29 Jun	41.0%	41.0%
Joint ventures					
Flagship Property Holdings Pty Limited[(c)]	Property management	Australia	31 Dec	45.8%	47.3%
Kings Square Pty Ltd	Property development	Australia	30 Jun	50.0%	50.0%
Kings Square No. 4 Unit Trust	Property development	Australia	30 Jun	50.0%	50.0%

(a) In November 2018, the Group acquired an additional 68.0 million shares in Beach Energy and the Group's interest in Beach Energy increased by three per cent.
(b) In November 2018, the Group disposed of its interest in Premier Capital Developments as a result of a corporate restructure.
(c) In November 2018, the Group's interest in Flagship Property Holdings decreased by 1.5 per cent as a result of a corporate restructure.

The country of incorporation of the above associates and joint ventures is also their principal place of business.

OPERATING ASSETS AND LIABILITIES

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	2019 $m	2018 $m
Investments in associates		
Beach Energy Limited	741.6	493.4
Seven West Media Limited	284.6	516.6
Individually immaterial associates	33.8	31.2
Investments in joint ventures		
Individually immaterial joint ventures	26.6	28.8
Total investments accounted for using the equity method	**1,086.6**	**1,070.0**

Beach Energy is a listed oil and gas exploration, development and production company based in Australia with investments in the resource industry. The Group's investment in Beach Energy is held for strategic purposes and is disclosed within the Energy segment.

Seven West Media is the leading listed national multi-platform media business based in Australia. The Group's investment in Seven West Media is held for strategic purposes and disclosed within the Media investments segment.

	2019 $m	2018 $m
Share of investees' net profit/(loss)		
Investments in associates		
Beach Energy Limited	161.0	56.4
Seven West Media Limited	(182.4)	55.3
Individually immaterial associates	3.0	(1.5)
Investments in joint ventures		
Coates Group Holdings Pty Limited	–	14.0
Individually immaterial joint ventures	(1.8)	2.5
Share of net profit of equity accounted investees	**(20.2)**	**126.7**
Market values of listed investments accounted for using the equity method		
Beach Energy Limited		
Book value	741.6	493.4
Market value	1,281.6	1,019.5
Seven West Media Limited		
Book value	284.6	516.6
Market value	284.6	516.6

An impairment of $57.5 million (2018: impairment reversal of $28.6 million) relating to the Group's investment in Seven West Media was recognised in profit or loss during the year.

Summarised financial information of investees (100%)

The summarised financial information for the Group's material associate and material joint venture is detailed below. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and joint venture and not the Group's share of those amounts.

	ASSOCIATE		ASSOCIATE	
	BEACH ENERGY		SEVEN WEST MEDIA	
	2019 $m	2018 $m	2019 $m	2018 $m
Summarised Statement of Financial Position				
Current assets				
Cash and cash equivalents	171.9	311.2	90.5	142.2
Other current assets	426.6	413.0	472.0	533.7
Total current assets	598.5	724.2	562.5	675.9
Non-current assets				
Goodwill	57.1	167.0	–	–
Intangible assets	–	–	565.5	1,034.0
Other non-current assets	3,258.3	3,190.2	224.7	182.5
Total non-current assets	3,315.4	3,357.2	790.2	1,216.5
Current liabilities				
Financial liabilities(a)	–	47.0	1.0	–
Other current liabilities	613.3	426.0	424.3	411.6
Total current liabilities	613.3	473.0	425.3	411.6
Non-current liabilities				
Financial liabilities(a)	–	925.7	653.8	776.6
Other non-current liabilities	926.2	844.7	170.5	175.9
Total non-current liabilities	926.2	1,770.4	824.3	952.5
Net assets	**2,374.4**	**1,838.0**	**103.1**	**528.3**
Group's share (%)	28.6%	25.6%	41.0%	41.0%
Group's share of net assets	679.1	470.5	42.3	216.6
Share of impairment not recognised as previously impaired	–	23.8	571.0	571.0
Adjustment to align accounting policies	–	–	(18.5)	(18.3)
Share of rights issue not taken up	–	–	(125.2)	(125.2)
Change in ownership interest	62.5	(0.9)	177.8	177.8
Impairment	–	–	(362.8)	(305.3)
Carrying amount	**741.6**	**493.4**	**284.6**	**516.6**

(a) Financial liabilities excluding trade and other payables and provisions.

	ASSOCIATE		ASSOCIATE	
	BEACH ENERGY		SEVEN WEST MEDIA	
	2019 $m	2018 $m	2019 $m	2018 $m
Summarised Statement of Comprehensive Income				
Revenue	2,077.7	1,250.8	1,556.4	1,622.8
Depreciation and amortisation	(522.4)	(314.0)	(35.1)	(35.3)
Impairment (expense)/benefit	–	(88.3)	(542.5)	(13.1)
Net interest expense	(58.1)	(36.6)	(43.3)	(35.4)
Income tax expense	(233.1)	(84.7)	(10.8)	(56.9)
Profit/(loss) for the year	577.3	198.8	(444.5)	134.9
Other comprehensive income	8.0	(23.4)	(2.3)	2.9
Total comprehensive income for the year	**585.3**	**175.4**	**(446.8)**	**137.8**
Dividends received by the Group	**12.3**	**10.1**	**–**	**12.4**

OPERATING ASSETS AND LIABILITIES

12. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment is measured at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is capitalised 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. All other repairs and maintenance is charged to the profit or loss during the reporting period in which they are incurred.

Freehold land is not depreciated. The cost of improvements to or on leasehold properties is amortised over the shorter of the unexpired period of the lease or the estimated useful life of the improvement to the Group.

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

Buildings	40 years
Leasehold improvements	1 – 25 years
Rental fleet	3 – 13 years
Plant and equipment	2 – 13 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. 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 carrying amount and are included in profit or loss.

Year ended 30 June 2019	Freehold land and buildings $m	Leasehold improve-ments $m	Rental fleet $m	Plant and equipment $m	Total $m
Movement in property, plant and equipment					
Carrying amount at beginning of the year	**38.4**	**43.5**	**658.4**	**95.3**	**835.6**
Additions	0.1	4.6	248.4	32.6	285.7
Amounts acquired in a business combination	–	–	1.2	0.3	1.5
Disposals	–	–	(20.9)	(0.5)	(21.4)
Depreciation	(0.7)	(6.2)	(160.2)	(25.3)	(192.4)
Exchange differences	–	0.1	0.7	–	0.8
Other [(a)]	–	2.6	2.0	(2.5)	2.1
Carrying amount at end of the year	**37.8**	**44.6**	**729.6**	**99.9**	**911.9**
At cost	46.2	102.9	1,864.5	322.1	2,335.7
Accumulated depreciation	(8.4)	(58.3)	(1,134.9)	(222.2)	(1,423.8)
Total property, plant and equipment	**37.8**	**44.6**	**729.6**	**99.9**	**911.9**

Year ended 30 June 2018	Freehold land and buildings $m	Leasehold improve-ments $m	Rental fleet $m	Plant and equipment $m	Total $m
Movement in property, plant and equipment					
Carrying amount at beginning of the year	**17.9**	**42.2**	**28.1**	**71.7**	**159.9**
Additions	0.8	2.1	112.7	25.8	141.4
Amounts acquired in a business combination	20.4	4.2	643.7	7.4	675.7
Disposals	–	–	(5.7)	(1.1)	(6.8)
Depreciation	(0.7)	(5.1)	(116.7)	(17.0)	(139.5)
Exchange differences	–	0.2	0.4	–	0.6
Other [(a)]	–	(0.1)	(4.1)	8.5	4.3
Carrying amount at end of the year	**38.4**	**43.5**	**658.4**	**95.3**	**835.6**
At cost	46.2	95.4	1,765.3	296.1	2,203.0
Accumulated depreciation	(7.8)	(51.9)	(1,106.9)	(200.8)	(1,367.4)
Total property, plant and equipment	**38.4**	**43.5**	**658.4**	**95.3**	**835.6**

(a) Other includes net transfer from inventory, impairments and reclassifications.

13. PRODUCING AND DEVELOPMENT ASSETS

Accounting policy

Producing and development assets are carried at historical cost less accumulated depreciation.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within development assets.

Depreciation/amortisation

Producing oil and gas properties are depreciated/amortised on a unit of production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied.

Critical accounting estimates and judgements

Assessment of recoverable amount and key assumptions used

Producing and development asset valuations are based on the expected production profile of reserves and resources and various estimates and assumptions. For the purposes of assessing impairment, the recoverable amount of an asset or cash generating unit (CGU) are based on the greater of its fair value less costs of disposal (FVLCD) and its value in use (VIU), using a pre-tax discount rate specific to the asset. Where the carrying value is less than the recoverable value, an impairment is expensed on the income statement.

The estimated future cash flows for the VIU calculation are based on various estimates, the most significant of which are reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. For the FVLCD calculation, future cash flows are based on estimates of reserves in addition to other relevant factors such as value attributable to additional resources and exploration opportunities beyond reserves based on production plans.

The cash flow projections for Bivins Ranch reflect the expected production profile of reserves and resources and cover the period through to June 2064. The cash flow projections for Longtom reflect the expected production profile of reserves and resources and cover the period to June 2040.

The discount rates applied to the forecast cash flows are based on the weighted average cost of capital adjusted for risks where appropriate including the functional currency of the asset and the risk profile of the country in which the asset operates.

The pre-tax discount rates that have been applied range between 8.0 to 8.6 per cent (2018: between 8.0 to 8.5 per cent).

Estimates on reserve quantities and quality

The estimated quantities and quality of reserves and resources are integral to the calculation of amortisation expense and the assessment of the recoverable amount of assets. Estimated reserve and resource quantities and quality is based on interpretations of geological and geophysical models and assessments of technical feasibility and commercial viability of future production. These estimates require assumptions to be made regarding future development and production costs, commodity prices and exchange rates. The estimates of reserves and resources may change from period to period, and as additional geological data is generated or obtained from the operator during the course of the operations. Reserves and resource estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

Estimation on commodity prices

The Group's best estimate of future commodity prices is made with reference to internally derived forecast data, current spot prices, external market analysts forecast and forward curves. Future commodity price assumptions impact the recoverability of carrying values and are reviewed at least annually.

	2019 $m	2018 $m
Movement in producing and development assets		
Carrying amount at beginning of the year	**222.2**	**213.9**
Additions	1.7	5.9
Depreciation	(2.5)	(2.0)
Exchange differences	5.9	4.4
Carrying amount at end of the year	**227.3**	**222.2**
At cost	248.5	240.3
Accumulated depreciation	(21.2)	(18.1)
Total producing and development assets	**227.3**	**222.2**

OPERATING ASSETS AND LIABILITIES

13. PRODUCING AND DEVELOPMENT ASSETS (CONTINUED)

Joint operation

The Group, through its wholly-owned subsidiary Seven Network (United States) Inc., is party to the Bivins Ranch basin joint operation in Texas, United States of America.

		UNINCORPORATED INTEREST	
Principal activities	Operator of joint operation	2019 %	2018 %
Oil and gas production	Apache Corporation, Sunlight Exploration Inc & Valpoint Operating LLC	11.2%	11.2%

Producing and development assets comprise of the Group's operating interests in oil and gas assets located in the United States of America and Australia.

No impairment expense has been recognised in the current or prior year. A sensitivity analysis was performed on the recoverable amount of the Group's Bivins Ranch producing asset by the DCF model based on changes to the long-term oil price assumption. Any material adverse change in a key assumption may result in an impairment.

Sensitivity analysis has been performed by applying the following possible changes in key assumptions:

	OIL/GAS/NGL PRICES		RESERVES AND RESOURCES		DISCOUNT RATE	
	+10%	-10%	+10%	-10%	+1%	-1%
Sensitivity analysis						
Bivins Ranch (US$m)	18.5	(20.0)	18.1	(18.2)	(7.8)	9.0

14. EXPLORATION AND EVALUATION ASSETS

Accounting policy

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

Exploration and evaluation assets

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee benefits, materials and fuel used, rig costs and payments made to contractors.

If no potentially commercial hydrocarbons are discovered, the exploration asset is expensed through the income statement as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an exploration and evaluation asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an exploration and evaluation asset.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are expensed to the income statement. When proved reserves of oil and natural gas are identified, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to producing and development assets. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

The ultimate recoupment of the carrying value of the Group's exploration and evaluation assets is dependent on successful commercial exploitation, or the sale of the respective area of interest.

Critical accounting estimates and judgements

Recoverability of exploration and evaluation assets

Assessment of recoverability of capitalised exploration and evaluation expenditure requires certain estimates and assumptions to be made as to future events and circumstances, particularly in relation to whether economic quantities of reserves have been discovered or whether further evaluation work is underway or planned to support continued carry forward of capitalised costs. Such estimates and assumptions may change as new information becomes available. If concluded that the carrying value of an exploration and evaluation asset is unlikely to be recovered by future exploitation or sale, the relevant amount will be expensed to the income statement.

	2019 $m	2018 $m
Movement in exploration and evaluation assets		
Carrying amount at beginning of the year	**219.6**	**222.2**
Additions	7.3	3.1
Impairment	–	(5.7)
Carrying amount at end of the year	**226.9**	**219.6**
At cost	232.6	225.3
Accumulated impairment	(5.7)	(5.7)
Total exploration and evaluation assets	**226.9**	**219.6**

Exploration and evaluation assets are located in the Browse basin which is north-west of Australia and relate to the Crux AC/RL9 joint operation and the Echuca Shoals WA-377P exploration permit.

The Group's investment in the Echuca Shoals WA-377P exploration permit continues to be impaired with no further costs capitalised in the current year.

Joint operation

The Group, through its wholly-owned subsidiary SGH Energy WA Pty Ltd, is party to the Crux AC/RL9 oil and gas joint operation. The Group has disclosed its interests in the following permits:

			UNINCORPORATED INTEREST	
Petroleum exploration permit/licence	**Principal activities**	**Operator of joint operation**	2019 %	2018 %
AC/RL9	Oil and gas exploration	Shell Australia Pty Ltd	15.0%	15.0%

The Crux AC/RL9 project has been identified as a primary source of back fill gas supply to the Shell Operated Prelude floating liquefied natural gas facility (Prelude FLNG). The current concept for the Crux project is a Not Normally Manned Platform which will be tied back to the Prelude FLNG facility via a export pipeline. Both the Prelude FLNG and Crux AC/RL9 projects are Operated by Shell Australia.

Following the execution of binding commercial terms with Prelude FLNG for tie-in and processing of Crux volumes, the Crux JV commenced front-end engineering design (FEED) with final investment decision expected by mid 2020 enabling the project to be ready for start up (RFSU) by late 2024 to early 2025.

The Group continues to work with Shell as Operator and fellow Crux AC/RL9 joint venture partners in progressing the project through the FEED process.

There are no facts or circumstances indicating an impairment of the asset under AASB 6: *Exploration for and Evaluation of Mineral Resources* at 30 June 2019.

Contingent liabilities in respect of joint venture operations are detailed in Note 27: Contingent Liabilities. Exploration expenditure commitments and capital commitments in respect of joint venture operations are detailed in Note 28: Commitments.

OPERATING ASSETS AND LIABILITIES

15. INTANGIBLE ASSETS

Accounting policy

Distribution networks

The distribution networks of the Group are considered by the Directors to be identifiable intangible assets.

The Directors are of the opinion that the distribution networks have an indefinite useful life, and as such the distribution networks are not subject to amortisation but rather are tested annually for impairment or more frequently if events or changes in circumstances indicate impairment. The basis for the classification of indefinite life is that the dealership agreements do not require specific renewal over set intervals thus the distribution rights continue uninterrupted unless a cause to terminate is triggered.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/equity accounted investee at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of equity accounted investees is included in investments accounted for using the equity method.

Goodwill is not amortised, but instead 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 or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs (or groups of CGUs) for the purpose of impairment testing. Each of those CGUs (or groups of CGUs) represents the Group's investment in each country of operation by each operating segment.

Brand names

Brand names have been assessed as having an indefinite useful life and as a result are not amortised. Instead, brand names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and are carried at cost less accumulated impairment losses.

Impairment of intangible assets

Goodwill and intangible assets that have an indefinite 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less cost of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit or loss.

Critical accounting estimates and judgements

Dependency on key suppliers

WesTrac is dependent on Caterpillar to maintain its authorisation as an authorised dealer of Caterpillar equipment and parts in Western Australia and New South Wales/ACT. WesTrac has maintained a strong relationship with Caterpillar and although WesTrac expects this relationship to continue, as is customary in dealer agreements with Caterpillar, the dealer agreement can be terminated by either party upon 90 days notice at any time.

The Group is dependent on Caterpillar for timely supply of equipment and parts from their global manufacturing factories and distribution warehouses. During periods of intense demand or in the event of disruption to Caterpillar's business there may be delays in the supply of equipment and parts to WesTrac. This has not in the past proven to be an impediment to WesTrac.

Management judgement is required to estimate the impact of the loss of key suppliers on future earnings, supporting existing goodwill and intangible assets.

Impairment of intangible assets

In accordance with AASB 136: *Impairment of Assets*, the recoverable amount of assets is the greater of its value-in-use and its fair value less cost of disposal. In the absence of quoted market prices, an asset's value-in-use or fair value less cost of disposal is calculated by estimating the present value of future cash flows using an asset specific discount rate.

These calculations also require the use of assumptions regarding profit margins, growth rates and discount rates.

Year ended 30 June 2019	Note	Goodwill $m	Distribution network $m	Brand names $m	Other(a) $m	Total $m
Movement in intangible assets						
Carrying amount at beginning of the year		**1,144.1**	**322.9**	**126.4**	**24.3**	**1,617.7**
Additions		–	–	–	9.2	9.2
Amounts acquired in a business combination		1.3	1.8	–	–	3.1
Disposals		–	–	–	(0.4)	(0.4)
Amortisation		–	–	–	(5.2)	(5.2)
Carrying amount at end of the year		**1,145.4**	**324.7**	**126.4**	**27.9**	**1,624.4**
At cost		1,145.4	324.7	126.4	42.4	1,638.9
Accumulated amortisation		–	–	–	(14.5)	(14.5)
Total intangible assets		**1,145.4**	**324.7**	**126.4**	**27.9**	**1,624.4**

Year ended 30 June 2018	Goodwill $m	Distribution network $m	Brand names $m	Other(a) $m	Total $m
Movement in intangible assets					
Carrying amount at beginning of the year	**94.2**	**321.0**	**–**	**41.5**	**456.7**
Additions	–	–	–	14.7	14.7
Amounts acquired in a business combination	1,049.9	1.9	126.4	3.6	1,181.8
Disposals	–	–	–	(2.0)	(2.0)
Amortisation	–	–	–	(4.3)	(4.3)
Impairment(b)	–	–	–	(29.2)	(29.2)
Carrying amount at end of the year	**1,144.1**	**322.9**	**126.4**	**24.3**	**1,617.7**
At cost	1,144.1	322.9	126.4	67.3	1,660.7
Accumulated impairment	–	–	–	(29.2)	(29.2)
Accumulated amortisation	–	–	–	(13.8)	(13.8)
Total intangible assets	**1,144.1**	**322.9**	**126.4**	**24.3**	**1,617.7**

(a) Other includes intellectual property, customer contracts, software and brand names.
(b) Impairment of capitalised costs relating to phase 2 of WesTrac's S3 program following the Group's decision to terminate its engagement with SAP during the prior year. The capitalised costs were written off in the current year against the accumulated impairment.

Impairment of intangible assets

(a) Impairment tests for goodwill and distribution network

Goodwill and distribution network costs are allocated to the Group's CGUs identified according to the appropriate operating segment.

A segment level summary of the goodwill and distribution network allocation is presented below.

Year ended 30 June 2019	Goodwill $m	Distribution network $m	Brand names $m	Total $m
WesTrac	95.4	322.6	–	418.0
Coates Hire	1,050.0	2.1	126.4	1,178.5
Total goodwill and distribution network	**1,145.4**	**324.7**	**126.4**	**1,596.5**
Year ended 30 June 2018				
WesTrac	94.2	321.0	–	415.2
Coates Hire	1,049.9	1.9	126.4	1,178.2
Total goodwill and distribution network	**1,144.1**	**322.9**	**126.4**	**1,593.4**

Distribution network and goodwill

The recoverable amount of the WesTrac distribution network and goodwill referrable to Coates Hire and WesTrac is based on value-in-use calculations. These recoverable amount calculations use discounted cash flow projections based on financial budgets and forecasts approved by management. Cash flow projections utilised for value-in-use financial budgets cover a five year period.

Based on sensitivity analysis performed no reasonable change in these assumptions would give rise to an impairment.

OPERATING ASSETS AND LIABILITIES

15. INTANGIBLE ASSETS (CONTINUED)

(b) Key assumptions used for value-in-use calculations

	2019 Growth rate[a] %	2019 Discount rate (pre-tax)[b] %	2018 Growth rate[a] %	2018 Discount rate (pre-tax)[b] %
Value-in-use				
WesTrac	2.00	10.18	2.00	11.40
Coates Hire	2.50	11.34	2.50	11.62

(a) The weighted average growth rate used to extrapolate cash flows beyond the budget or forecast period.
(b) The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

16. PROVISIONS

Accounting policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required on settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Service warranties	A service warranties provision is made for the estimated liability on products under warranty at balance date. This provision is estimated having regard to service warranty experience. Other warranty costs are accrued as and when the liability arises. Under AASB 15, revenue relating to service warranty provisions have been separately identified and recorded within deferred income.
Restoration	A provision for restoration is recognised when there is a legal or constructive obligation to do so. A corresponding restoration asset amount is created equivalent to the amount of the provision. The amount recognised is the estimated cost of restoration, discounted to its net present value. This is reassessed each year in accordance with local conditions and requirements.
Other	A provision for restructuring is recognised when steps have been taken to implement a detailed plan, including discussions with affected personnel, with employee related costs recognised over the period of any required future service. An onerous contract is a contract in which the unavoidable cost of meeting the obligations under the contract exceeds the economic benefit expected to be received. A provision is raised in respect of leases or other onerous contracts.

Critical accounting estimates and judgements

Restoration

Management is required to make judgements regarding removal method, future legislation, reclamation activities required, engineering methodology for estimating costs, future removal technologies and discount rates to determine the present value of the cash flows. There is uncertainty about the amount and timing of cash flows. Changes in the estimates of restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the restoration asset.

Year ended 30 June 2019	Service warranties $m	Restoration $m	Other $m	Total $m
Movement in provisions				
Balance at beginning of the year	**20.4**	**53.0**	**60.9**	**134.3**
Amounts provided for	–	–	13.6	13.6
Amounts used	–	–	(40.1)	(40.1)
Write-back of provision	–	–	(2.1)	(2.1)
Transfer	(20.4)	–	–	(20.4)
Unwind of discount	–	2.8	–	2.8
Balance at end of the year	**–**	**55.8**	**32.3**	**88.1**
Current	–	0.1	24.5	24.6
Non-current	–	55.7	7.8	63.5
Total provisions	**–**	**55.8**	**32.3**	**88.1**

Year ended 30 June 2018	Service warranties $m	Restoration $m	Other $m	Total $m
Movement in provisions				
Balance at beginning of the year	**18.8**	**50.4**	**34.9**	**104.1**
Amounts assumed in a business combination	–	–	9.5	9.5
Amounts provided for	7.1	–	14.3	21.4
Amounts used	(5.5)	–	(6.4)	(11.9)
Write-back of provision	–	–	(16.0)	(16.0)
Transfer	–	–	24.6	24.6
Unwind of discount	–	2.6	–	2.6
Balance at end of the year	**20.4**	**53.0**	**60.9**	**134.3**
Current	20.4	–	52.7	73.1
Non-current	–	53.0	8.2	61.2
Total provisions	**20.4**	**53.0**	**60.9**	**134.3**

Nature and purpose of provisions

Service warranties	Service warranties provision relate to the estimated warranty claims in respect of products sold which are still under warranty at balance date. These claims are expected to be settled in the next financial year but this may be extended into the following year if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective. Under AASB 15, service warranties have been transferred to deferred income to align with when the performance obligation is performed.
Restoration	A provision for site restoration relates to the Group's estimated present value of costs relating to future site restoration, removal and rehabilitation activities, primarily in the Energy segment.
Other	Other provisions include amounts that have been provided for in relation to restructuring and redundancies, workers' compensation claims, maintenance and repair contracts, legal claims onerous contracts and make-good obligations.

OPERATING ASSETS AND LIABILITIES

17. EMPLOYEE BENEFITS

Accounting policy

Employee benefits

Employee benefits include provisions for annual leave and long service leave. The current provision for long service leave includes all unconditional entitlements where employees have completed the required service period and those where employees are entitled to pro-rata payments in certain circumstances. The majority of the amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in provisions in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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 reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

The Group contributes to a superannuation fund which provides accumulated contribution plans. Contributions are charged against the profit or loss in the period to which they relate.

Share based payments

The fair value of options granted under the Company's cash-settled option plan is recognised as an employee benefit expense with a corresponding increase in liability. The expense and the liability incurred are measured at the fair value of the liability.

The fair value at grant date is independently determined using Black-Scholes and Binomial option pricing models that take into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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 excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity remeasures the fair value of the options, with any changes in value recognised in the profit or loss as a finance cost.

The fair value of equity-based entitlements settled in equity instruments is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is estimated at grant date and recognised over the period during which the employees become unconditionally entitled to the equity instrument.

The amount recognised as an expense is adjusted to reflect the actual number of entitlements that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

	2019 $m	2018 $m
Current		
Annual leave	40.2	40.7
Long service leave	32.7	29.5
Total employee benefits – current	**72.9**	**70.2**
Non-current		
Long service leave	15.8	17.2
Total employee benefits – non-current	**15.8**	**17.2**

Superannuation contributions

The Group makes contributions on behalf of employees to defined contribution superannuation funds. The amount recognised as an expense was $52.2 million (2018: $42.6 million) for the year ended 30 June 2019.

CASH MANAGEMENT

18. CASH AND CASH EQUIVALENTS

Accounting policy

Bank balances includes cash on hand and deposits held at call with financial institutions. Call deposits include 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.

	2019 $m	2018 $m
Bank balances	78.1	104.6
Cash and cash equivalents	**78.1**	**104.6**

19. NOTES TO THE CASH FLOW STATEMENT

	2019 $m	2018 $m
Reconciliation of profit for the year to net cash flows related to operating activities		
Profit for the year	**219.2**	**415.6**
Profit from discontinued operations	–	(10.4)
Income tax expense	113.1	63.5
Income taxes paid	(28.2)	(8.3)
Depreciation and amortisation:		
Property, plant and equipment	192.4	139.5
Producing and development assets	2.5	2.0
Intangible assets	5.2	4.3
Capitalised borrowing costs amortised	2.7	1.9
Employee share movements in equity	(4.1)	1.6
Gain on sale of property, plant and equipment	(8.5)	(3.4)
Loss on disposal of intangible assets	0.4	–
Gain on sale of investments and derivative financial instruments	(3.3)	(4.2)
Revaluation of equity interest on acquisition of Coates Hire	–	(14.5)
Loss on sale of WesTrac China	–	5.3
Recycling of foreign currency translation reserve on sale of WesTrac China	–	(79.9)
Acquisition transaction costs incurred	–	1.3
Impairment/(impairment reversal) of equity accounted investee	57.5	(28.6)
Impairment of non-current assets	–	40.5
Gain on conversion of convertible note	(28.9)	(3.8)
Share of results from equity accounted investees	20.2	(126.7)
Dividends received from equity accounted investees	12.8	22.6
Investing flows for property, plant and equipment adjustments	(6.8)	(6.5)
Unwind of interest on convertible note	7.9	2.5
Other	(0.9)	2.4
Movement in:		
Trade and other receivables	11.1	(55.2)
Inventories	(102.6)	(168.0)
Other assets	(4.4)	(9.0)
Trade and other payables/deferred income	(1.8)	43.5
Provisions	(44.9)	25.1
Net operating cash flows	**410.6**	**253.1**

The cash flow does not include cash flows from discontinued operations.

CASH MANAGEMENT

20. INTEREST BEARING LOANS AND BORROWINGS

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities which are not incremental costs relating to the actual draw down of the facility, are recognised on a net basis against borrowings and amortised on a straight line basis over the term of the facility.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or any liabilities assumed, is recognised in other income or expenses.

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

Critical accounting estimates and judgements

Valuation of convertible notes

The valuation of the Company's convertible notes requires management to make a number of critical judgements and assumptions regarding variables such as option volatility to determine their fair value.

	2019 $m	2018 $m
Current		
Interest bearing liabilities	30.9	43.2
Fixed term US dollar notes	–	74.4
Finance lease liabilities	0.9	0.5
Total interest bearing loans and borrowings – current	**31.8**	**118.1**
Non-current		
Interest bearing liabilities	1,152.6	1,164.9
Convertible notes	295.9	288.0
Fixed term US dollar notes	604.9	576.5
Less: capitalised borrowing costs net of accumulated amortisation	(10.7)	(7.2)
Finance lease liabilities	1.2	0.4
Total interest bearing loans and borrowings – non-current	**2,043.9**	**2,022.6**

Current interest bearing liabilities of $30.9 million relate to the Group's short-term working capital facilities, and in the prior year the current portion of the corporate syndicated debt facility. These liabilities are unsecured.

At 30 June 2019, the Group had available undrawn borrowing facilities of $838.0 million (2018: $411.0 million).

Non-current interest bearing liabilities include amounts drawn from the Group's corporate syndicated loan facility and facility with Caterpillar Financial Australia Limited.

The Company issued 3,500 convertible notes (Notes) at a nominal value of $350.0 million and paying a cash coupon of 2.2 per cent per annum. The Notes were issued on 5 March 2018 and obtained shareholder approval at the Company's 2018 Annual General Meeting. The Notes are listed on the Singapore Exchange and mature in March 2025 at their nominal value. Alternatively, they can be converted into ordinary shares at the holder's option at a conversion price of $24 per ordinary share (subject to adjustments as stipulated in the terms of the convertible notes). The total number of ordinary shares which will be issued if the convertible notes are converted is 14,583,333. As at 30 June 2019, no Notes had been converted. Furthermore, the note holders have an early redemption option exercisable in January 2023. The fair value of the liability was calculated with reference to market interest rates for an equivalent corporate bond without a conversion feature.

The corporate syndicated loan facility is non-amortising, unsecured and supported by guarantees by the Company and certain subsidiaries within the Group. On 21 August 2018, the Group successfully concluded the amendment and extension of the loan facility. The facility comprises two tranches, with Facility A providing a limit of $400.0 million until September 2021 and Facility B providing a limit of $900.0 million until September 2023. The Company's $431.0 million facility with Caterpillar Financial Australia Limited matures in July 2021 and is non-amortising and unsecured.

The Group's interest bearing liabilities (including derivatives) as at 30 June 2019 had a weighted average interest rate of 4.55 per cent (2018: 4.97 per cent) including margins and unused line fees.

Lease liabilities are effectively secured as the rights to the assets revert to the financier in the event of default. Details of the fair values of each of the borrowings as well as the Group's exposure to interest rate, foreign currency and liquidity risk related to interest bearing loans and borrowings is disclosed in Note 21: Financial Risk Management.

Fixed term US dollar notes

The US Private Placement notes are unsecured and are hedged by a combination of forward foreign exchange and cross currency swaps. The Group has issued notes denominated in US currency of USD $390.0 million (2018: USD $445.0 million). Series E (2011) was issued and is repayable in AUD. Interest is payable half yearly in arrears.

The amount and maturity of the notes, including the effective hedge position, is summarised below.

Notes	Agreement	2019 Amount USD $m	2019 Spot amount AUD $m	2018 Amount USD $m	2018 Spot amount AUD $m	2019 Hedged amount AUD $m	Interest rate (incl. margin) %	Maturity date
Series C	2006	–	–	55.0	74.4	–	7.50%	23 Aug 18
Series D	2006	30.0	42.8	30.0	40.6	43.9	7.53%	23 Aug 20
Series E	2006	85.0	121.2	85.0	115.0	125.2	7.56%	23 Aug 21
Series A	2011	45.0	64.2	45.0	60.9	43.8	2.81%	7 Jun 23
Series B	2011	55.0	78.4	55.0	74.4	53.6	2.77%	7 Jul 23
Series C	2011	75.0	106.9	75.0	101.5	73.1	2.91%	7 Jun 26
Series D	2011	100.0	142.6	100.0	135.3	97.4	2.89%	7 Jul 26
Series E	2011	–	48.8	–	48.8	48.8	7.96%	7 Jul 41
		390.0	**604.9**	**445.0**	**650.9**	**485.8**		

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

$m	At 30 June 2018	Financing cash flows	Effect of exchange rates	Borrowing costs amortised	Other[(a)]	At 30 June 2019
Interest bearing liabilities	1,208.1	(24.6)	–	–	–	1,183.5
Fixed term US dollar notes	650.9	(80.3)	34.3	–	–	604.9
Finance lease liabilities	0.9	1.2	–	–	–	2.1
Convertible notes	288.0	–	–	–	7.9	295.9
Capitalised borrowing costs	(7.2)	(6.2)	–	2.7	–	(10.7)
Total interest bearing loans and borrowings	**2,140.7**	**(109.9)**	**34.3**	**2.7**	**7.9**	**2,075.7**

(a) Other comprises accrued interest.

FINANCIAL ASSETS

21. FINANCIAL RISK MANAGEMENT

Overview

Risk management policies are established to identify and demonstrate that the Group understands and manages risk and seeks to ensure that there is consistency to the methods used in assessing, monitoring and communicating risks and that risk management efforts are aligned with the Group's strategic and business objectives.

The Group has exposure to the following risks through the normal course of its operations and from its use of financial instruments:

(a) Market risk

(b) Liquidity risk

(c) Credit risk

The following presents information, both qualitative and quantitative, about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Board has established a sound system of risk oversight and management and internal control which includes the establishment of the Audit & Risk Committee. The Committee has been constituted with the function of assisting the Board to ensure that its corporate governance and oversight responsibilities are fulfilled in relation to risk management and compliance with applicable laws and regulations.

The Audit & Risk Committee is responsible for reviewing, evaluating and making recommendations to the Board in relation to:

- assessing the risk management, compliance and control environment as it relates to the external and internal audit plans;
- overseeing financial reporting; and
- evaluating internal and external audit.

At the reporting date the Group held the following financial instruments:

	Note	2019 $m	2018 $m
Financial assets/(liabilities)			
Cash and cash equivalents	18	78.1	104.6
Financial assets/(liabilities) carried at amortised cost			
Trade and other receivables		579.0	585.8
Trade and other payables (excluding accruals)		(280.8)	(273.5)
Fixed term US dollar notes	20	(604.9)	(650.9)
Convertible notes	20	(295.9)	(288.0)
Interest bearing loans and borrowings	20	(1,183.5)	(1,208.1)
Financial assets carried at fair value through other comprehensive income			
Listed equity securities (excluding derivatives)	22	196.4	329.2
Unlisted equity securities	22	179.8	137.6
Derivative financial instruments designated and effective and carried at fair value through profit or loss			
Derivative financial assets	23	173.2	130.0
Derivative financial liabilities	23	(62.4)	(111.5)
Total financial assets and financial liabilities		**(1,221.0)**	**(1,244.8)**

(a) Market risk

The Group is exposed to market risk through foreign exchange, interest rate, equity price and commodity price risk.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group is exposed to fluctuations in foreign currency, predominantly in United States Dollar (USD).

The Group will seek to minimise exposure to foreign exchange risk by initially seeking contracts effectively denominated in AUD where possible. Where this is not possible the Group will manage foreign exchange risk as follows:

- in certain circumstances the Group invoices customers in USD. Where the Group invoices in USD it may seek to match the USD receipt with USD denominated vendor payments. As a result, an economic hedge is created by minimising exposure to changes in the AUD/USD exchange rate. Payments and receipts are made from and to the Group's USD denominated bank account.
- external forward contracts and options are used to manage foreign exchange risk. Contracts are entered into on a transaction by transaction basis to hedge specific purchases, sales and borrowings.

The Group's foreign exchange risk from recognised assets and liabilities arises primarily from WesTrac's long-term USD denominated borrowings (refer to Note 20: Interest Bearing Loans and Borrowings). The Group effectively hedges its long-term foreign denominated borrowings using a combination of designated forward exchange contracts and cross currency swaps. At times, the Company may choose to hold cash positions in USD to hedge against anticipated weakening in the AUD.

The financial statements for foreign group companies that have a functional currency different from Australian Dollars are translated into Australian Dollars on consolidation in accordance with Note 1(E): Foreign Currency Translation. Exchange differences arising from the translation are taken to reserves and as such the individual account balances of these Group companies are excluded from the table below.

Excluding assets and liabilities for foreign Group entities translated in accordance with Note 1, the Group's exposure to foreign currency risk was as follows, based on notional amounts:

Foreign currency risk	2019 US$m	2018 US$m
Cash and cash equivalents	12.4	8.1
Trade and other receivables	37.8	11.8
Trade and other payables	(41.6)	(7.7)
Borrowings	(390.0)	(445.0)
Unlisted equity securities	126.1	101.7
Derivative financial instruments	116.5	79.4
Closing exchange rates[(a)]	0.7013	0.7391

(a) Closing rate per the Reserve Bank of Australia at 4pm (AEST) on 28 June 2019.

Sensitivity analysis

As at 28 June 2019, the closing AUD/USD exchange rate was 0.7013 (2018: 0.7391) as reported by the Reserve Bank of Australia. A foreign currency sensitivity of +/- five per cent has been selected and is considered reasonable given the historical AUD/USD exchange rates prevailing in the year ended 30 June 2019. During the year, the average AUD/USD exchange rate was 0.7156 (2018: 0.7753) and traded within a range of 0.6840 to 0.7467 (2018: 0.7353 to 0.8121).

At 30 June 2019, had the AUD/USD exchange rate moved by five per cent, with all other variables held constant, post tax profit/(loss) and equity would have been affected as illustrated in the table below:

Judgement of reasonably possible movements	2019 Profit/(loss) $m	2019 Equity $m	2018 Profit/(loss) $m	2018 Equity $m
AUD to USD +5%	(0.3)	(7.4)	(0.3)	(6.7)
AUD to USD -5%	0.3	8.2	0.3	7.4

A sensitivity of five per cent is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movements.

Adverse versus favourable movements are determined relative to the net underlying exposure. An adverse movement in exchange rates implies an increase in the Group's foreign currency exposure leading to deterioration in the Group's financial position. A favourable movement in exchange rates implies a decrease in the Group's foreign currency exposure and an improvement in the Group's financial position.

The Group's exposure to other foreign exchange movements is not material.

FINANCIAL ASSETS

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's exposure to interest rate risk arises from AUD cash deposits and short to medium term borrowings which are at variable interest rates in AUD. Generally, long-term fixed rate borrowings are obtained in the USA and Australia, while shorter term variable borrowings are denominated in Australian currency and expose the Group to interest rate risk. The Group manages this risk by using derivative financial instruments including interest rate swaps and collars to hedge interest rate exposure.

As at 30 June 2019, 52 per cent (2018: 46 per cent) of the Group's total borrowings were subject to fixed interest rates or were effectively hedged with derivative financial instruments.

At 30 June 2019, the Group had the following mix of financial assets and liabilities exposed to Australian and United States variable interest rate risk.

	2019 $m	2018 $m
Financial assets		
Cash and cash equivalents	78.1	104.6
	78.1	**104.6**
Financial liabilities		
Interest bearing liabilities	(990.1)	(1,043.9)
	(990.1)	**(1,043.9)**

The following table shows the annualised impact on profit or loss and equity of interest bearing assets and liabilities if floating interest rates at balance date had been one per cent (100 basis points) higher or lower for the year, with all other variables held constant.

	2019 Profit/(loss) $m	2019 Equity $m	2018 Profit/(loss) $m	2018 Equity $m
If interest rates were 1% (100 basis points) higher with all other variables held constant – increase/(decrease)	(6.4)	3.2	(4.7)	4.0
If interest rates were 1% (100 basis points) lower with all other variables held constant – increase/(decrease)	6.4	(4.2)	4.7	(7.0)

(iii) Equity price risk

Equity price risk refers to the risk that the value of a financial instrument or its associated cash flows will fluctuate due to changes in the underlying share prices.

The Group has exposure to equity price risk arising from its portfolio of listed equity securities. The Group utilises derivatives to hedge this exposure as well as to gain economic exposure to equity securities.

The Group may also be exposed to equity price risk through its holdings of listed investments accounted for using the equity method and as part of the Group's impairment assessment process.

The following table shows the impact on the profit or loss and equity of the Group if equity prices at balance date had been 20.0 per cent higher or lower, with all other variables held constant (2018: 20.0 per cent). A sensitivity of 20.0 per cent is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movement.

	2019 Profit/(loss) $m	2019 Equity $m	2018 Profit/(loss) $m	2018 Equity $m
If share prices were 20% higher with all other variables held constant – increase/(decrease)	–	32.7	(23.9)	46.1
If share prices were 20% lower with all other variables held constant – increase/(decrease)	–	(32.7)	15.2	(46.1)

(iv) Commodity price risk

The Group has an operating interest in oil and gas assets located in Australia and the United States of America. These investments expose the Group to commodity price risk from fluctuations in the prices of oil, natural gas and other condensates and natural gas liquids (NGLs). The Group does not currently hedge its exposure to commodity price risk.

(b) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to meet its financial commitments as and when they fall due.

The Group employs a prudent liquidity risk management approach. This involves maintaining a large amount of liquid reserves (cash deposits, listed shares and available credit lines) that can be drawn or sold at short notice to meet the Group's financial commitments. Management monitors the Group's ongoing cash flow requirements on a daily basis.

Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping credit lines available.

The Group's foreign exchange risk arises primarily from:

– borrowings denominated in a foreign currency; and
– firm commitments of highly probable forecast transactions for receipts and payments settled in foreign currency.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

Floating rate	2019 $m	2018 $m
Expiring within one year	258.9	294.8
Expiring beyond one year	580.0	116.2
	838.9	**411.0**

Additional liquidity	2019 $m	2018 $m
Cash and cash equivalents	78.1	104.6
Financial assets carried at fair value through other comprehensive income – listed equity securities	196.4	329.2
Unutilised short dated lines of credit	6.9	6.2
	281.4	**440.0**

Subject to continued compliance with facility terms, the facilities may be drawn at any time. The average maturity for drawn facilities is 4.1 years (2018: 4.0 years) and 4.0 years (2018: 1.0 year) for undrawn facilities.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities (including derivative financial instruments) into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Gross cash flows include principal, coupon and premium (on put options) payments at contracted rates. The amounts disclosed are the contracted undiscounted cash flows.

Year ended 30 June 2019	Within 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m	Total contractual cash flows $m	Carrying amount $m
Trade and other payables (excluding accruals)	277.1	4.8	–	–	281.9	281.9
Borrowings – variable rate						
– principal (including derivative)	31.2	1.3	708.0	249.5	990.0	868.5
– coupon interest and derivative	17.6	16.9	22.1	11.6	68.2	4.3
Borrowings – fixed rate						
– principal (including derivative)	0.8	44.2	702.2	392.6	1,139.8	999.4
– coupon interest and derivative	48.2	45.8	48.8	77.1	219.9	(0.3)
	374.9	**113.0**	**1,481.1**	**730.8**	**2,699.8**	**2,153.8**
Year ended 30 June 2018						
Trade and other payables (excluding accruals)	267.0	2.1	4.4	–	273.5	273.5
Borrowings – variable rate						
– principal (including derivative)	43.2	732.8	43.8	224.1	1,043.9	1,048.6
– coupon interest and derivative	16.8	14.7	32.8	24.1	88.4	(0.3)
Borrowings – fixed rate						
– principal (including derivative)	80.7	0.4	600.0	392.7	1,073.8	1,012.5
– coupon interest and derivative	48.2	45.8	72.5	84.9	251.4	1.3
	455.9	**795.8**	**753.5**	**725.8**	**2,731.0**	**2,335.6**

FINANCIAL ASSETS

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables, cash and cash equivalents and investment securities.

The Group's maximum exposure to credit risk at the reporting date was:

	Note	2019 $m	2018 $m
Cash and cash equivalents	18	78.1	104.6
Trade and other receivables		574.7	585.8
Listed equity securities (excluding derivatives)	22	196.4	329.2
Unlisted equity securities	22	179.8	137.6
Derivative financial instruments	23	173.2	130.0
		1,202.2	**1,287.2**

The Group's and the Company's exposure to credit risk is predominately in Australia.

Expected credit loss – trade receivables

The Group's exposure to credit risk and expected credit loss for trade receivables is outlined below. These receivables are past due but not impaired and relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	2019 $m	2018 $m
Past due 1-30 days	119.9	133.6
Past due 31-60 days	1.5	8.2
Past due 61-90 days	4.3	1.9
> 91 days	1.0	3.2
Total trade receivables past due but not impaired	**126.7**	**146.9**

The movement in the loss allowance in respect of trade receivables during the year was as follows:

	2019 $m	2018 $m
Balance at beginning of the year	10.3	3.8
Amounts acquired in a business combination	–	8.8
Impairment loss recognised in profit or loss	1.8	2.7
Impairment loss reversed in profit or loss	(0.1)	(0.1)
Receivables expensed as uncollectable during the year	(3.2)	(4.9)
Balance at end of the year	**8.8**	**10.3**

In certain circumstances the Group enters into guarantees as part of ordinary trading operations. These guarantees are included within financial guarantees in Note 27: Contingent Liabilities.

(d) Fair value measurements

Financial instruments measured at fair value

The fair value of

- financial instruments traded in active markets are based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the Group are the closing bid prices for the assets. The Group has elected that the fair value adjustments on the Group's existing listed and unlisted equity securities will be recorded in other comprehensive income and not subsequently reclassified to profit or loss.
- forward foreign exchange contracts are determined using quoted forward exchange rates at the reporting date.
- interest rate swaps and cross currency interest rate swaps are calculated using the present value of the estimated future cash flows of these instruments.
- equity derivatives are calculated based on the closing bid price of the underlying equities.

Financial instruments not measured at fair value

The interest rates used to discount estimated cash flows relating to the fixed term US dollar notes were 1.9 to 3.8 per cent (2018: 2.3 to 4.5 per cent) and are based on the government yield curve at the reporting date plus an adequate credit spread.

The interest rate used to discount estimated cash flows relating to other borrowings was 2.7 to 5.6 per cent (2018: 5.4 to 5.8 per cent).

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – fair value is estimated using quoted prices in active markets.

Level 2 – fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3 – fair value is estimated using inputs for the asset or liability that are not based on observable market data.

	Note	Level in fair value hierarchy	2019 Carrying amount $m	2019 Fair value $m	2018 Carrying amount $m	2018 Fair value $m
Financial assets measured at fair value						
Listed equity securities (excluding derivatives)	22	1	196.4	196.4	329.2	329.2
Unlisted equity securities	22	3	179.8	179.8	137.6	137.6
Forward foreign exchange contracts – used for hedging	23	2	0.8	0.8	2.8	2.8
Cross currency swaps – used for hedging	23	2	172.4	172.4	126.9	126.9
Interest rate collars – used for hedging	23	2	–	–	0.3	0.3
			549.4	**549.4**	**596.8**	**596.8**
Financial assets not measured at fair value						
Cash and cash equivalents	18	–	78.1	78.1	104.6	104.6
Trade and other receivables		–	572.2	572.2	585.8	585.8
			650.3	**650.3**	**690.4**	**690.4**
Financial liabilities measured at fair value						
Forward foreign exchange contracts – used for hedging	23	2	7.2	7.2	22.3	22.3
Cross currency swaps – used for hedging	23	2	50.9	50.9	27.5	27.5
Convertible note – conversion option	23	2	–	–	60.6	60.6
Interest rate collars – used for hedging	23	2	4.3	4.3	1.1	1.1
			62.4	**62.4**	**111.5**	**111.5**
Financial liabilities not measured at fair value						
Trade and other payables (excluding accruals)		–	281.9	281.9	271.0	271.0
Fixed term US dollar notes	20	2	604.9	687.5	650.9	725.6
Convertible note	20	2	295.9	322.5	288.0	291.7
Other borrowings	20	2	1,183.5	1,196.9	1,208.1	1,205.5
			2,366.2	**2,488.8**	**2,418.0**	**2,493.8**

There were no transfers between the fair value hierarchy levels during the year.

Valuation techniques – Level 3

Unlisted equity securities

Unlisted equity securities comprise of the Group's investment in an unlisted investment fund (investment fund), which is accounted for as a financial asset measured at fair value through other comprehensive income. Whilst this investment fund invests in both foreign listed and unlisted equity securities, the investment is not quoted in an active market and accordingly the fair value of this investment is included within Level 3 of the hierarchy.

Audited information is obtained from the investment fund regarding the fair value of the investment. The Group recognises any movement in the fair value of the investment in equity through the fair value reserve. The methodology followed by the investment fund in fair valuing its underlying investments is outlined below.

Under the market based method, the investment fund's manager determines comparable public companies (peers) based on industry size, leverage and strategy and calculates an appropriate trading multiple for each comparable company identified. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value.

FINANCIAL ASSETS

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements (continued)

Valuation process for Level 3 valuations

The valuation of unlisted equity is performed on a quarterly basis by the investment fund's manager and reviewed by their investment committee. The valuations are also subject to quality assurance procedures performed within the investment fund.

The investment fund manager verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the fund's investment committee.

The fund's investment committee considers the appropriateness of the valuation methods and inputs, and may request that alternate valuation methods are applied to support the valuations arising from the method chosen. Any changes in valuation methods are discussed and agreed with the investment partners.

The investment fund presents the valuation results on a quarterly basis to the Group. The report includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with fair value changes outside of the relevant thresholds set out above. The Group's investment committee regularly reviews this information and assesses the performance of the Group's investment.

Quantitative information on significant unobservable inputs – Level 3

Description	Valuation technique	Unobservable input	2019 Range	2018 Range
Unlisted equity investments	P/E multiple	Average P/E multiple of peers	29.6	32.6
		Discount for lack of liquidity	25%	25%
	EV/sales multiple	Average price/sales multiple of peers	3.7x	1.9x-4.5x
		Discount for lack of liquidity	25%	25%

Reconciliation – Level 3

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3.

	2019 $m	2018 $m
Balance at the beginning of the year	137.6	96.6
Contributions, net of capital returns	7.7	21.1
Fair value gains/(losses)	34.5	19.9
Balance at the end of the year	**179.8**	**137.6**

(e) Master Netting or Similar Arrangements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

Year ended 30 June 2019	Financial instruments in the statement of financial position $m	Related financial instruments that are not offset $m	Net amount $m
Financial assets			
Forward foreign exchange contracts – used for hedging	0.8	0.6	0.2
Cross currency swaps – used for hedging	172.4	121.5	50.9
	173.2	**122.1**	**51.1**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	7.2	6.6	0.6
Cross currency swaps – used for hedging	50.9	–	50.9
Interest rate collars	4.3	1.1	3.2
	62.4	**7.7**	**54.7**

Year ended 30 June 2018			
Financial assets			
Forward foreign exchange contracts – used for hedging	2.8	1.8	1.0
Cross currency swaps – used for hedging	126.9	45.8	81.1
Interest rate derivatives – used for hedging	0.3	0.2	0.1
	130.0	**47.8**	**82.2**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	22.3	21.3	1.0
Cross currency swaps – used for hedging	27.5	–	27.5
Interest rate collars	1.1	1.1	–
Convertible notes – conversion option	60.6	–	60.6
	111.5	**22.4**	**89.1**

(f) Capital management

The Group manages its capital to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure while maximising shareholder value. As such, the Board regularly reviews the Group's capital structure in order to take advantage of favourable costs of capital and returns on assets.

The Company maintains a diversified capital base with a mixture of equity and debt funding. Equity funding comprises both ordinary shares and, in the prior year, preference shares (TELYS4).

The Group's dividend policy is to distribute cash from operating activities after financing costs, subject to the retention of adequate cash reserves to capitalise on investment opportunities. Dividends are franked to the greatest extent possible.

Refer to Note 26: Dividends for details of dividends paid and proposed but not provided for during the year.

FINANCIAL ASSETS

22. OTHER FINANCIAL ASSETS

Accounting policy

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (FVTOCI) and amortised cost financial assets. The classification depends on the Group's business model for managing the financial asset as well as its contractual cash flow characteristics.

Management determines the classification of its investments at initial recognition. In the case of financial assets classified as FVTOCI, this designation is irrevocable.

Financial assets at fair value through other comprehensive income

The Group's existing listed and unlisted equity securities not held for trading have been designated as financial assets at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets held for trading which are acquired principally for the purpose of selling with the intention of making a profit or financial assets that are managed and have their performance regularly evaluated by management and the directors on a fair value basis. Derivatives are also categorised as held for trading unless they are designated in hedge accounting relationships.

Recognition and de-recognition

Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Financial assets at fair value through profit or loss and financial assets at FVTOCI are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category, are presented in the profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets is recognised in the profit or loss as other income.

Gains or losses arising from changes in the value of financial assets at FVTOCI category are taken to the fair value through OCI reserve. In accordance with AASB 9, any gain or losses realised on the sale of these assets remain in the fair value reserve rather than being transferred to the profit or loss.

	2019 $m	2018 $m
Non-current		
Listed equity securities	196.4	329.2
Unlisted equity securities	179.8	137.6
Total other financial assets – non-current	**376.2**	**466.8**

Listed equity securities are designated as financial assets at FVTOCI in accordance with the Group's accounting policies. The carrying amounts are determined based on their quoted market price at 30 June 2019. Unlisted equity securities comprise of the Group's investments in an unlisted private equity media investment fund (refer also to Note 21).

Dividends and distributions totalling $33.6 million (2018: $44.3 million) were received from the Group's financial assets at FVTOCI. Net gains of $18.3 million (2018: losses $25.7 million) relating to disposals of listed equity securities were realised during the year. These gains and losses remain in the fair value through OCI reserve.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

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

The Group designates certain derivatives as either:

– hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or

– hedges of the cash flows of recognised assets and liabilities and 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.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance expenses, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

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 in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in other comprehensive income are recycled in the profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance expenses. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within sales. However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as a cost of goods sold in the case of inventory, or as depreciation in the case of property, plant and equipment.

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 other comprehensive income at that time remains in other comprehensive income 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 other comprehensive income is immediately transferred to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

FINANCIAL ASSETS

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2019 $m	2018 $m
Current assets		
Forward foreign exchange contracts – cash flow hedges	0.7	2.8
	0.7	2.8
Non-current assets		
Cross currency swaps – cash flow hedges	172.4	126.9
Forward foreign exchange contracts – cash flow hedges	0.1	–
Other derivatives – cash flow hedges	–	0.3
	172.5	127.2
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	(0.4)	(7.4)
	(0.4)	(7.4)
Non-current liabilities		
Forward foreign exchange contracts – cash flow hedges	(6.8)	(14.9)
Cross currency interest rate swaps – fair value adjustment	(50.9)	(27.5)
Convertible notes – embedded derivative	–	(60.6)
Interest rate swaps and collars	(4.3)	(1.1)
	(62.0)	(104.1)
Net derivative financial instruments	**110.8**	**18.5**

The Group is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies. The Group also enters into equity derivatives. Refer to Note 21: Financial Risk Management for further detail.

Interest rate swaps

The Group's policy is to hedge a portion of its interest bearing liabilities from exposure to changes in interest rates. The gain or loss from remeasuring the hedging instruments to fair value is deferred in equity in the hedge reserve and reclassified into profit and loss when the hedged interest expense is recognised. To the extent that the hedge is ineffective or undesignated, the fair value movement is recognised as fair value through profit or loss.

Forward foreign exchange contracts

The Group has entered into forward foreign currency exchange contracts to hedge the USD denominated debt in conjunction with cross currency swaps. The Group has obligations to repay the principal amount of USD denominated debt and interest thereon. The Group's USD denominated debt and coupon obligations are hedged with foreign exchange derivatives. The Group from time to time also enters into forward foreign exchange contracts to hedge certain known trading commitments predominantly denominated in USD. The terms of these commitments are generally shorter than one year.

Cross currency swaps

The Group has obligations to repay the principal and interest relating to USD denominated debt. The Group enters into cross currency swap contracts to hedge these obligations.

Other derivatives

Other derivatives comprise equity derivatives. The Group enters into equity derivatives from time to time to hedge the value of listed investments or to gain exposure to certain market sectors.

Convertible note – embedded derivative

In November 2018, shareholder approval was granted at the Company's 2018 Annual General Meeting for the convertible notes issued, thereby converting the derivative liability to shareholder equity and a fair value gain being recognised in the Group's profit or loss. Refer to Note 24: Capital for further detail.

At 30 June 2019, the Group held various types of derivative financial instruments that were designated as cash flow hedges of future forecast transactions. These were hedging of:

- future foreign currency operational payments by exchange derivative contracts (forwards);
- future foreign currency principal and coupon payments by exchange derivative contracts (forwards, swaps); or
- future interest payments by interest rate derivative contracts (swaps).

The effective portion of the cumulative net change in the value of derivative financial instruments designated as a cash flow hedge are included in the hedge reserve.

The periods in which the related cash flows are expected to occur are summarised below.

Year ended 30 June 2019	Within 1 year $m	Between 1 to 5 years $m	Over 5 years $m	Total $m
Contracts to hedge				
Future operational (sales and purchases)	0.1	–	–	0.1
Future principal and interest on borrowings	0.2	(11.0)	122.1	111.3
Total net (loss)/gain included in the hedge reserve	**0.3**	**(11.0)**	**122.1**	**111.4**
Year ended 30 June 2018				
Contracts to hedge				
Future operational (sales and purchases)	1.8	–	–	1.8
Future principal and interest on borrowings	(6.3)	(14.6)	99.4	78.5
Total net (loss)/gain included in the hedge reserve	**(4.5)**	**(14.6)**	**99.4**	**80.3**

Hedge accounting			CARRYING AMOUNT					
Year ended 30 June 2019	Notional amount of hedging instrument & hedged item	Hedge rates	Assets $m	Liabilities $m	Change in value of hedging instrument $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit or loss $m	Amount reclassified from hedge reserve to profit or loss $m
Cash flow hedges								
Future operational (sales and purchases) – up to 12 months	AUD 64.1	AUD/USD 0.69-0.72	0.5	(0.4)	0.3	0.3	–	–
Future principal and interest on USPP – up to 10 years (foreign exchange contracts)	AUD 192.5	AUD/USD 0.68	0.3	(6.8)	8.4	10.2	–	(0.4)
Future principal and interest on USPP – up to 10 years (cross currency swaps)	AUD 267.9	AUD/USD 1.03	172.4	–	45.5	43.7	–	10.1
Future interest on floating rate debt – up to 3 years	AUD 100.0	COLLAR 1.5%-2.5%	–	(2.5)	(2.7)	(2.8)	–	–
Future interest on floating rate debt – up to 2.5 years	AUD 50.0	COLLAR 1.56%-2.5%	–	(0.7)	(0.8)	(0.8)	–	–
Fair value hedge								
Future principal and interest on USPP – up to 10 years (cross currency swaps)	AUD 267.9	AUD/USD 1.03	–	(50.9)	(22.8)	(22.7)	0.6	–

FINANCIAL ASSETS

24. CAPITAL

Accounting policy

Contributed equity

Ordinary shares, redeemable preference shares, non-share equity and other equity securities are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in other comprehensive income and presented as contributed equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs is recognised as a deduction from equity.

Treasury shares

Treasury shares consist of shares held in trust for the Group's executives in relation to employee equity benefits.

	2019 $m	2018 $m
Contributed equity		
339,357,656 ordinary shares, fully paid (2018: 316,485,208)	2,858.7	2,431.4
Nil TELYS4 preference shares, fully paid (2018: 4,963,640)	–	427.2
Convertible notes, fully paid	31.7	–
410,000 treasury shares, fully paid (2018: 2,129)	(7.0)	–
Balance at end of the year	**2,883.4**	**2,858.6**
Movements in ordinary shares		
Balance at beginning of year	2,431.4	2,046.0
Conversion of TELYS4 shares into ordinary shares	427.3	–
Shares issued under equity raise – October 2017 – 35.0 million	–	385.4
Balance at end of the year	**2,858.7**	**2,431.4**
Movements in preference shares – TELYS4		
Balance at beginning of year	427.2	427.2
Conversion of TELYS4 shares into ordinary shares	(427.2)	–
Balance at end of the year	**–**	**427.2**
Movements in treasury shares		
Balance at beginning of year	–	(0.3)
Shares vested and transferred to employee	2.1	1.0
On-market share acquisition	(9.1)	(0.7)
Balance at end of the year	**(7.0)**	**–**

The Company does not have authorised share capital or par value in respect of its issued shares. All issued shares are fully paid. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds on liquidation.

Transferable Extendable Listed Yield Shares (TELYS4)

On 24 September 2018, the Company received shareholder approval to convert the TELYS4 shares into ordinary shares. Each TELYS4 share was converted into approximately 4.6 ordinary shares. The TELYS4 shares were suspended from quotation on 28 September 2018.

Convertible notes

On 5 March 2018, the Company issued 3,500 convertible notes (notes) at a nominal value of $350.0 million and paying a cash coupon of 2.2 per cent per annum. The notes are listed on the Singapore Exchange and mature in March 2025 at their issued date at their nominal value. Alternatively, they can be converted into ordinary shares at the holder's option at a conversion price of $24 per ordinary share (subject to adjustments as stipulated in the terms of the convertible note). Shareholder approval was granted at the Company's 2018 Annual General Meeting in November 2018, thereby converting the derivative liability to shareholder equity. The total number of ordinary shares which will be issued if the convertible notes are converted is 14,583,333. At 30 June 2019, no notes had been converted.

Treasury shares

The Company acquired 0.5 million shares on market for $9.1 million to satisfy employee share scheme obligations in future periods.

CAPITAL STRUCTURE

25. RESERVES

Nature and purpose of reserves

Acquisitions reserve	The acquisitions reserve is used to record the difference between the fair value of consideration paid for the non-controlling interest of subsidiaries and the book value of those subsidiaries' share of net assets at date of acquisition.
Employee equity benefits reserve	The employee equity benefits reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration.
Common control reserve	The acquisition of WesTrac Group by the Company during the period ended 30 June 2010 was accounted for as a common control transaction. As a consequence, the difference between the fair value of the consideration paid and the existing book values of assets and liabilities of the WesTrac Group was debited to a common control reserve. Upon disposal of all interests in WesTrac Group by the Group this reserve would be transferred to retained earnings.
Hedge reserve	The hedge reserve records the effective portion of the cumulative net change in fair value of hedging instruments related to cash flow hedged transactions that have not yet occurred.
Fair value through OCI reserve	The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income under AASB 9. The net change in the fair value of financial assets measured at fair value through other comprehensive income (FVTOCI) will be shown in this reserve and not be subsequently reclassified to profit or loss.
Foreign currency translation reserve	The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign operations.

Year ended 30 June 2019	Acquisitions reserve $m	Employee equity benefits reserve $m	Common control reserve $m	Hedge reserve $m	Fair value through OCI reserve $m	Foreign currency translation reserve $m	Total $m
As at 1 July 2018	**(63.5)**	**5.4**	**(642.6)**	**(28.3)**	**(177.1)**	**18.3**	**(887.8)**
Fair value movement on financial assets measured at FVTOCI	–	–	–	–	97.5	–	97.5
Current tax effect of net gain on financial assets measured at FVTOCI	–	–	–	–	(7.0)	–	(7.0)
Deferred tax effect of net gain on financial assets measured at FVTOCI	–	–	–	–	(20.3)	–	(20.3)
Net gain on cash flow hedges	–	–	–	0.1	–	–	0.1
Tax effect of net gain on cash flow hedges	–	–	–	(1.6)	–	–	(1.6)
Movement in reserves of equity accounted investees	–	0.7	–	1.8	(5.5)	(2.9)	(5.9)
Currency translation differences	–	–	–	–	–	6.2	6.2
Share based payments	–	4.8	–	–	–	–	4.8
Share based payment options settled	–	(2.1)	–	–	–	–	(2.1)
As at 30 June 2019	**(63.5)**	**8.8**	**(642.6)**	**(28.0)**	**(112.4)**	**21.6**	**(816.1)**

Year ended 30 June 2018							
As at 1 July 2017	**(63.5)**	**6.6**	**(642.6)**	**(28.5)**	**(18.5)**	**98.8**	**(647.7)**
Fair value movement on financial assets measured at FVTOCI	–	–	–	–	(129.0)	–	(129.0)
Tax effect of net gain on financial assets measured at FVTOCI	–	–	–	–	(25.8)	–	(25.8)
Net gain on cash flow hedges	–	–	–	1.3	–	–	1.3
Tax effect of net gain on cash flow hedges	–	–	–	0.3	–	–	0.3
Movement in reserves of equity accounted investees	–	(2.6)	–	(1.4)	(3.8)	(1.5)	(9.3)
Currency translation differences	–	–	–	–	–	(79.0)	(79.0)
Share based payments	–	2.4	–	–	–	–	2.4
Share based payment options settled	–	(1.0)	–	–	–	–	(1.0)
As at 30 June 2018	**(63.5)**	**5.4**	**(642.6)**	**(28.3)**	**(177.1)**	**18.3**	**(887.8)**

UNRECOGNISED ITEMS

26. DIVIDENDS

Year ended 30 June 2019	Date of payment	Franked/ unfranked	Amount per share	Total $m
Dividends paid				
Ordinary shares				
Final dividend in respect of 2018 year	8 Oct 18	Franked	$ 0.21	66.5
Interim dividend	18 Apr 19	Franked	$ 0.21	71.2
				137.7
Subsequent event				
Current period final dividend on ordinary shares proposed but not provided for				
Ordinary shares				
Final dividend in respect of 2019 year	11 Oct 19	Franked	$ 0.21	71.2
Balance of franking account at 30%				67.7
Year ended 30 June 2018				
Dividends paid				
Ordinary shares				
Final dividend in respect of 2017 year	6 Oct 17	Franked	$ 0.21	59.1
Interim dividend	20 Apr 18	Franked	$ 0.21	66.5
				125.6
Transferable Extendable Listed Yield Shares (TELYS4)				
Dividend	30 Nov 17	Franked	$ 2.32	11.5
Dividend	31 May 18	Franked	$ 2.33	11.6
				23.1
Ordinary shares				
Final dividend in respect of 2018 year	8 Oct 18	Franked	$ 0.21	66.5
Balance of franking account at 30%				87.9

The balance of the dividend franking account as at the reporting date has been adjusted for:

(a) franking credits/debits that will arise from the payment/refund of current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the reporting date; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $30.5 million (2018: $28.5 million).

27. CONTINGENT LIABILITIES

The nature of the Group's and equity accounted investees' activities are such that, from time to time, claims are received or made by the Group. The Directors are of the opinion that no claims are expected to have a material adverse effect on the financial statements of the Group and as such do not require disclosure as a contingent liability.

Critical accounting estimates and judgements

Environmental risk and regulation

The Group and the industries in which it operates are subject to a broad range of environmental laws, regulations and standards (including certain licensing requirements). This could expose the Group to legal liabilities or place limitations on the development of its operations. In addition there is a risk that property utilised by the Group from time to time may be contaminated by materials harmful to human health (such as hazardous chemicals). In these situations the Group may be required to undertake remedial works on contaminated sites and may be exposed to third party compensation claims and other environmental liabilities. Management judgement is therefore required to estimate the impact of such factors on future earnings supporting existing goodwill and intangible assets.

	2019 $m	2018 $m
Contingent liabilities – continuing operations		
Performance guarantees	106.9	101.5
Financial guarantees	47.1	49.1
Total contingent liabilities	**154.0**	**150.6**

Performance guarantees

Performance guarantees relate to guarantees provided to customers in support of equipment and contract performance.

Financial guarantees

The Group has issued a number of financial guarantees to third parties for various operational and financing purposes.

To the extent that the Directors expect these third party guarantees to be called upon, a provision has been recorded in the consolidated statement of financial position as at 30 June 2019.

The Group has entered into a number of financial guarantees in relation to subsidiary debt facilities and other financing arrangements. The drawn amount of these facilities are recorded as interest bearing liabilities and disclosed in Note 20: Interest Bearing Loans and Borrowings.

28. COMMITMENTS

	2019 $m	2018 $m
Capital expenditure commitments		
Payable:		
Not later than one year	91.2	69.5
Finance lease commitments		
Payable:		
Not later than one year	1.1	0.5
Later than one year but not later than five years	1.2	0.5
Minimum lease payments[(a)]	**2.3**	**1.0**
Less future finance charges	(0.1)	(0.1)
	2.2	**0.9**
Operating lease commitments[(b)]		
Payable:		
Not later than one year	113.4	113.8
Later than one year but not later than five years	240.5	249.1
Later than five years	278.3	106.3
	632.2	**469.2**
Exploration expenditure commitments[(c)]		
Payable:		
Not later than one year	37.0	22.2
	37.0	**22.2**
The above commitments include exploration expenditure commitments relating to joint venture operations in relation to AC/RL9:		
Not later than one year	17.0	2.2
	17.0	**2.2**
Other commitments[(d)]		
Payable:		
Not later than one year	5.6	19.4

(a) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual value.

(b) The Group leases various offices and sites under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(c) Exploration expenditure commitments relate to work commitments pursuant to the award of petroleum exploration permits WA377P and AC/RL9. Estimates for future exploration expenditure commitments are based on estimated well and seismic costs which will change as actual drilling location and seismic surveys are organised and are determined in current dollars on an undiscounted basis. The exploration and evaluation obligations may vary significantly as a result of renegotiations with relevant parties.

(d) Other commitments includes the Group's commitment to invest in an unlisted investment fund.

GROUP STRUCTURE

29. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between 30 June 2019 and the date of this Report any other event that would have had a material effect on the Financial Statements as at 30 June 2019.

Bivins Ranch

Apache Corporation announced the sale of its US Midcontinent asset portfolio on 18 July 2019 to Presidio Investment Holdings LLC for US$612 million. The portfolio includes multiple assets located in Oklahoma, Kansas and Texas, including Bivins Ranch. The Group is currently working through the transition in operatorship and field development activity going forward. This will allow the Group to form a view on value. Critical accounting estimates and valuation sensitivities relating to Bivins Ranch are included in Note 13: Producing and Development Assets.

Movement in share prices of listed investments

Subsequent to year end, there has been movement in the share prices of listed investments and as a result, the value of the Group's investments have varied from what is presented in this financial report. The market value of listed investments at 20 August 2019 compared to their market value at 30 June 2019 is outlined below.

	MARKET VALUE	
	20 August 2019 $m	30 June 2019 $m
Listed equity securities	198.4	196.4
Listed investments accounted for using the equity method	1,646.8	1,566.2
Total listed investments	**1,845.2**	**1,762.6**

30. PARENT ENTITY DISCLOSURES

As at and throughout the year ended 30 June 2019 the parent company of the Group was Seven Group Holdings Limited.

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

	COMPANY	
	2019 $m	2018 $m
Financial position of parent entity at end of the year		
Current assets	640.0	663.0
Total assets	3,747.8	3,772.1
Current liabilities	78.0	1.5
Total liabilities	803.5	781.7
Total equity of the parent entity comprising of:		
Contributed equity	2,883.4	2,858.6
Reserves	11.8	9.1
Retained earnings	178.5	122.7
Total shareholders equity	**3,073.7**	**2,990.4**
Result of the parent entity		
Profit for the year	193.5	156.0
Total comprehensive income for the year	**193.5**	**156.0**
Other information		
Contingent liabilities of the parent entity[(a)]	146.6	143.0

(a) Relates to financial guarantees provided to third parties by the parent entity for subsidiary debt facilities and other financing arrangements.

These facilities are held by entities that are outside of the Deed of Cross Guarantee disclosed in Note 30: Controlled Entities.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 31: Controlled Entities.

In addition to the contingent liabilities shown above, the parent entity guarantees a number of debt facilities held by various controlled entities who are part of the Deed of Cross Guarantee.

31. CONTROLLED ENTITIES

			OWNERSHIP INTEREST	
	Notes	Country of incorporation	2019 %	2018 %
Parent entity				
Seven Group Holdings Limited	(a)	Australia		
Subsidiaries				
All Hire Pty Limited		Australia	100	100
Allight Holdings Pty Limited	(a)	Australia	100	100
AllightSykes New Zealand Limited		New Zealand	100	100
AllightPrimax FZCO		UAE	100	100
AllightSykes Pty Limited	(a)	Australia	100	100
AllightSykes SA (Proprietary) Limited		South Africa	100	100
Allplant Services Pty Limited		Australia	100	100
Australian Highway Plant Services Pty Limited		Australia	100	100
C7 Pty Limited	(a)	Australia	100	100
Coates Fleet Pty Limited		Australia	100	100
Coates Group Holdings Pty Limited		Australia	100	100
Coates Group Pty Limited		Australia	100	100
Coates Hire Access SPV Pty Limited		Australia	100	100
Coates Hire Holdco SPV Pty Limited		Australia	100	100
Coates Hire Limited		Australia	100	100
Coates Hire (NZ) Limited		New Zealand	100	100
Coates Hire Operations Pty Limited		Australia	100	100
Coates Hire Overseas Investments Pty Limited		Australia	100	100
Coates Hire Traffic Solutions Pty Limited		Australia	100	100
Direct Target Access Pty Limited	(a)	Australia	100	100
DWB (NH) Pty Limited		Australia	100	100
FGW Pacific Pty Limited		Australia	100	100
Industrial Investment Holdings Pty Limited		Australia	100	100
Kimlin Holdings Pty Limited		Australia	100	100
Manooka Holdings Pty Limited	(a)	Australia	100	100
Miltonstar Pty Limited	(a)	Australia	100	100
Mining Equipment Spares Pty Limited		Australia	100	100
Nahi Pty Limited		Australia	100	100
National Hire Equipment Pty Limited		Australia	100	100
National Hire Facilitation Pty Limited	(a)	Australia	100	100
National Hire Finance Pty Limited		Australia	100	100
National Hire Group Limited	(a)	Australia	100	100
National Hire Operations Pty Limited		Australia	100	100
National Hire Properties Pty Limited		Australia	100	100
National Hire Trading Pty Limited		Australia	100	100
Ned Finco Pty Limited		Australia	100	100
Network Investment Holdings Pty Limited	(a)	Australia	100	100
Point Pty Limited	(a)	Australia	100	100
Primax USA Inc		USA	100	100
Priority People Solutions Pty Ltd	(b)	Australia	–	100
PT AllightSykes		Indonesia	100	100
PT Coates Hire Indonesia		Indonesia	100	100
PT Coates Services Indonesia		Indonesia	100	100
Pump Rentals Pty Limited	(a)	Australia	100	100

GROUP STRUCTURE

31. CONTROLLED ENTITIES (CONTINUED)

	Notes	Country of incorporation	OWNERSHIP INTEREST 2019 %	OWNERSHIP INTEREST 2018 %
Realtime Reporters Pty Limited		Australia	100	100
Seven Broadcast Properties Trust		Australia	100	100
Seven Custodians Pty Limited	(a)	Australia	100	100
Seven Entertainment Pty Limited		Australia	100	100
Seven Media Group Pty Limited	(a)	Australia	100	100
Seven (National) Pty Limited	(a)	Australia	100	100
Seven Network International Limited	(a)	Australia	100	100
Seven Network Investments Pty Limited	(a)	Australia	100	100
Seven Network Limited	(a)	Australia	100	100
Seven Network Nominees Pty Limited	(a)	Australia	100	100
Seven Network (United States) Inc		USA	100	100
Seven Resources Pty Limited	(a)	Australia	100	100
Seven (WAN) Pty Limited		Australia	100	100
SGH Communications Pty Limited		Australia	100	100
SGH Energy Aust. Pty Limited		Australia	100	100
SGH Energy Corporate Pty Ltd	(c)	Australia	–	100
SGH Energy (No 1) Pty Limited		Australia	100	100
SGH Energy (No 2) Pty Limited		Australia	100	100
SGH Energy NTP66 Pty Ltd		Australia	100	100
SGH Energy NV Pty Ltd	(c)	Australia	–	100
SGH Energy Pty Ltd		Australia	100	100
SGH Energy Services Pty Ltd	(c)	Australia	–	100
SGH Energy VICP54 Pty Ltd		Australia	100	100
SGH Energy VICP56 Pty Ltd		Australia	100	100
SGH Energy WA Pty Ltd		Australia	100	100
SGH Energy WA377P Pty Ltd		Australia	100	100
SGH Productions Pty Limited	(a)	Australia	100	100
Sitech Solutions Pty Limited		Australia	51	51
Sitech (WA) Pty Limited		Australia	51	51
SMG Executives Pty Limited		Australia	100	100
SMG FINCO Pty Limited	(a)	Australia	100	100
SNZ Pty Limited	(a)	Australia	100	100
Specialised Investments Pty Limited		Australia	100	100
Sykes Fleet Services Pty Limited		Australia	100	100
Sykes Group Pty Limited	(a)	Australia	100	100
Tallglen Pty Limited	(a)	Australia	100	100
Tru Blu Hire Australia Pty Limited		Australia	100	100
WesTrac Holdings Pty Limited	(a)	Australia	100	100
WesTrac Machinery Distribution Pty Limited		Australia	100	100
WesTrac Pty Limited		Australia	100	100

(a) Pursuant to ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 these controlled entities are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial reports.
(b) This company was deregistered on 18 July 2018.
(c) This company was deregistered on 29 August 2018.

Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 (Instrument) the wholly-owned controlled entities marked (a) in the preceding table are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and Directors' reports.

It is a condition of the Instrument that the Company and each of the wholly-owned controlled entities (marked (a)) enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the parties to the Deed under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A combined statement of comprehensive income and combined statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, are set out below.

	COMBINED	
	2019 $m	2018 $m
Statement of comprehensive income		
Revenue		
Revenue	84.9	88.6
Other income		
Other income	0.8	11.8
Gain on sale of derivatives	3.3	4.2
Dividend income	119.3	377.4
Total other income	**123.4**	**393.4**
Share of results from equity accounted investees	(23.1)	125.1
Gain on conversion of convertible notes	28.9	3.8
Revaluation of equity interest on acquisition of Coates Hire	–	14.5
Net gain on sale of WesTrac (China) Machinery Equipment Limited	–	62.0
(Impairment)/impairment reversal of equity accounted investee	(57.5)	28.6
Fair value movement of derivatives	–	0.6
Expenses excluding depreciation and amortisation	(100.9)	(111.7)
Depreciation and amortisation	(1.2)	(0.8)
Profit before net finance expense and tax	**54.5**	**604.1**
Net finance expenses	(34.9)	(34.4)
Profit before tax	**19.6**	**569.7**
Income tax expense	(3.6)	(101.2)
Profit for the year	**16.0**	**468.5**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	57.5	(146.9)
Income tax on items of other comprehensive income	(16.9)	(20.4)
Total items that will not be reclassified subsequently to profit or loss	**40.6**	**(167.3)**
Items that may be reclassified subsequently to profit or loss:		
Foreign currency differences for foreign operations	3.0	(5.6)
Total items that may be reclassified subsequently to profit or loss	3.0	**(5.6)**
Total comprehensive income for the year	**59.6**	**295.6**
Movement in retained earnings		
Retained profits at beginning of the year	757.1	437.2
Profit for the year	16.0	468.5
Dividends paid during the year	(137.7)	(148.6)
Retained earnings at end of the year	**635.4**	**757.1**

GROUP STRUCTURE

31. CONTROLLED ENTITIES (CONTINUED)

	COMBINED	
	2019 $m	2018 $m
Statement of financial position		
Current assets		
Cash and cash equivalents	6.9	19.6
Trade and other receivables	15.9	21.9
Inventories	27.3	28.2
Loans to related parties	674.7	562.7
Other current assets	0.3	0.1
Total current assets	**725.1**	**632.5**
Non-current assets		
Investments in controlled entities	1,809.8	1,805.0
Trade and other receivables	2.5	–
Investments accounted for using the equity method	1,052.7	1,038.8
Other financial assets	196.4	329.2
Property, plant and equipment	2.0	0.4
Intangible assets	0.8	0.9
Derivative financial instruments	–	0.2
Total non-current assets	**3,064.2**	**3,174.5**
Total assets	**3,789.3**	**3,807.0**
Current liabilities		
Interest bearing loans and liabilities	–	43.2
Trade and other payables	52.6	51.1
Current tax liabilities	79.3	–
Deferred income	3.2	0.8
Provisions	4.1	5.0
Derivative financial instruments	0.1	0.1
Total current liabilities	**139.3**	**100.2**
Non-current liabilities		
Interest bearing loans and liabilities	1,437.1	1,446.7
Deferred tax liabilities	84.7	22.8
Trade and other payables	3.8	3.6
Provisions	0.8	2.1
Derivative financial instruments	0.7	60.6
Total non-current liabilities	**1,527.1**	**1,535.8**
Total liabilities	**1,666.4**	**1,636.0**
Net assets	**2,122.9**	**2,171.0**
Equity		
Issued capital	2,883.4	2,858.6
Reserves	(1,395.9)	(1,444.7)
Retained earnings	635.4	757.1
Total equity	**2,122.9**	**2,171.0**

OTHER

32. RELATED PARTY DISCLOSURES

Key management personnel compensation

Detailed remuneration disclosures, including movements in equity holdings for KMP, are disclosed in the Remuneration Report section of the Director's Report.

The aggregate compensation made to the Key Management Personnel of the Group is set out below:

	2019 $000	2018 $000
Short-term employee benefits	10,110	9,725
Post-employment benefits	268	252
Other long-term employee benefits	333	222
Share-based payments	5,473	4,855
Total key management personnel compensation	**16,184**	**15,054**

No Director has entered into a material contract with the Group in the current or prior year other than those disclosed in the Remuneration Report or this note.

Director related party transactions

Details of related party transactions with director related entities are outlined on page 90.

Other transactions with related parties

A number of Directors and KMP of the Company hold directorships in other entities. Several of these entities transacted with the Group on terms and conditions no more favourable than those available on an arm's length basis.

Subsidiaries

Interests in subsidiaries are set out in Note 31: Controlled Entities.

Other related party transactions

The aggregate value of transactions between the Group and its equity accounted investees is outlined below.

	2019 $m	2018 $m
Sales revenue		
Associates	3.1	3.3
Joint ventures	–	3.9
Other income		
Associates	0.1	1.1
Joint ventures	–	0.6
Finance income		
Joint ventures	0.9	–
Rental expense		
Joint ventures	–	(0.4)
Other expenses		
Associates	(4.2)	(7.9)
Joint ventures	–	–
Expense reimbursement		
Associates	(0.2)	–
Outstanding balances arising from transactions with equity accounted investees:		
Trade and other receivables		
Associates	0.5	0.8
Joint ventures	2.6	–
Trade and other payables		
Associates	(0.7)	(0.5)

OTHER

33. AUDITOR'S REMUNERATION

Amounts received or due and receivable by auditors of the Company are set out below.

	2019 $000	2018 $000
Audit and audit related services		
Auditors of the Company		
Australia		
Audit and review of financial reports	923	942
Other assurance services	10	130
Overseas auditor firms		
Audit and review of financial report	117	144
Total audit and audit related services	**1,050**	**1,216**
Other services		
Auditors of the Company		
Australia		
Other advisory services	11	129
Other tax and advisory services	4	4
Overseas auditor firms		
Other tax and advisory services	–	21
Total other services	**15**	**154**
Total auditor's remuneration	**1,065**	**1,370**

The Company's external auditor is Deloitte Touche Tohmatsu. The external auditor is only appointed to assignments additional to their statutory audit duties where they are able to maintain their audit independence. All amounts payable to the auditors of the Company were paid by Group subsidiaries.

34. UPDATE ON IMPLEMENTATION ON AASB 16: LEASES

AASB 16: Leases sets out the principles and disclosure of leases and replaces accounting standard AASB 17: Leases. The Group has elected to adopt the standard under the full retrospective approach with effect from the mandatory date of 1 July 2019. The standard will have a material impact to the Group.

Under the full retrospective approach, comparative information is restated as at 1 July 2018 as if the standard always applied. The cumulative catch-up approach discloses the difference between a Right of Use (ROU) asset and lease liability to be recognised in opening retained earnings at the date of transition.

The Group is party to a variety of lease contracts, primarily for land and buildings, equipment and motor vehicles and other leases including information technology and other leases in insignificant categories. The Group has performed a detailed review of transactions to identify whether any additional arrangements outside of the Group's operating leases will be considered a lease and reviewed lease contracts since lease inception to determine the impact of transitioning to AASB 16. The review also focused on the identification of embedded leases.

The revised accounting policy for leases and anticipated impact to the Group is outlined below.

Accounting policy

Lessee accounting

The Group assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether the contract is dependent on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group recognises a ROU asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less or low value leases. Short-term or low value leases are expensed in the profit or loss statement on a straight-line basis over the term. The commencement date is the date on which the underlying asset is available for use by the lessee.

The ROU asset comprises the initial lease liability, initial direct costs and the makegood obligations less any lease incentives granted at the inception of the lease. Depreciation of the ROU asset is over the shorter of the lease term or the useful life of the underlying asset. Where there is an indicator of impairment, the ROU asset will be tested for impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date less any lease incentives and discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate specific to the entity, country, term and currency of the contract. Lease payments can include fixed payments, variable payments that depend on a specified rate or CPI increase and extension option payments or purchase options if the Group is reasonably certain to exercise the option.

Subsequent re-measurement of the lease liability is at amortised cost using the effective interest rate method and when there is a change in future lease payments in case of renegotiation, changes of an index or reassessment of options. A corresponding adjustment is made to the related ROU asset.

Critical accounting estimates and judgement

The Group is required to make judgements that affect the valuation of ROU assets and lease liabilities. These include determining which contracts contain a lease, the contract term including any estimated contract extensions and the incremental borrowing rate to be used.

As a result, management is required to estimate the expected term of the lease arrangement which may impact the carrying value of the ROU assets and lease liability. Incremental borrowing rates are reviewed bi-annually, or more frequently if required.

Impact of transition

A ROU asset and lease liability will be recognised on balance sheet. From 1 July 2019, ROU assets will be included within Property, Plant and Equipment for the relevant asset class and Interest Bearing Loans and Borrowings for the lease liability.

Detailed below is the estimated impact on the consolidated statement of financial position.

Estimated impact (before tax) as at 1 July 2019	$m
Right of Use asset	668.1
Lease liability	(856.4)
Retained earnings adjustment	188.3

The estimated retained earnings impact relating to equity accounted investees is a decrease in opening retained earnings of $12.5 million.

Lease commitments currently expensed within earnings before interest and tax (EBIT) will be replaced by the straight-line depreciation of the ROU asset in depreciation and associated interest expense.

All things being equal under the new standard, earnings before interest and tax would increase representing:

- the reduction in operating lease rental payments due to the separate recording of interest and depreciation expense;
- higher interest expense due to the effective interest rate implicit in the lease; and
- depreciation expense will increase as a result of the ROU assets recognised and being depreciated over the expected lease term.

Operating cash flows will increase due to lease repayments being recognised as financing rather than operating cash flows.

DIRECTORS' DECLARATION

Year ended 30 June 2019

1. In the opinion of the Directors of Seven Group Holdings Limited (the Company):
   (a) the consolidated financial statements and notes that are set out on pages 96 to 153 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 June 2019 and of its performance for the financial year ended on that date; and
      Iii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. As at the date of this declaration, there are reasonable grounds to believe that the Company and the group entities identified in Note 31 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 the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director & Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2019.
4. The Directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

KM Stokes AC
Executive Chairman

SA Chaplain
Chair of the Audit & Risk Committee

Sydney
21 August 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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Independent Auditor's Report to the members of Seven Group Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Seven Group Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for 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.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of producing and development assets As disclosed in Note 13, the Group has producing and development assets of $227.3 million. The assessment of the recoverable amount requires significant judgement in respect of assumptions such as estimated quantities of proven plus probable reserves and future commodity prices as well as the judgement involved in forecasting future cash flows and the selection of key assumptions.	Our procedures, performed in conjunction with valuation specialists included, but were not limited to: • Assessing whether impairment indicators were present which would require full impairment testing. If indicators were identified, the following procedures were performed: • Evaluating the management prepared models to assess the recoverable amount of the producing and developing assets, including: - Agreeing proven plus probable reserves to management's expert's reports; and - Assessing the key assumptions. Particular focus was given to future commodity prices. We corroborated market related assumptions by reference to external data; • Assessing the historical accuracy of forecasting of the Group where relevant in relation to the producing and development assets; • Testing, on a sample basis, the mathematical accuracy of the cash flow models; • Performing sensitivity analysis on key assumptions, including future commodity prices, production patterns and proven plus probable reserves; and • Assessing the appropriateness of the relevant disclosures in the financial statements.
Accounting for the investment in Seven West Media Limited ("SWM") As disclosed in Note 11 the Group holds an investment in SWM at a carrying value of $284.6 million, which is held at market value based on SWM share price at 30 June 2019. Accounting for the investment in SWM requires significant judgement in respect of assessing whether the Group has significant influence or control over SWM. This impacts the classification of the investment in SWM as an equity accounted investment, rather than a subsidiary which is consolidated and so has a pervasive impact on the financial statements.	Our procedures included, but were not limited to: • Evaluating management's determination that the Group's key management personnel do not exert control over the significant operational decisions of SWM. This included assessing the composition and independence of the SWM Board of Directors; • Evaluating historical voting patterns at Annual General Meetings to challenge management's conclusion that they do not have control; • Assessing the accuracy of the Group's ownership interest in SWM by recalculating SGH's ownership interest in SWM's issued share capital; • Assessing the recoverability of the investment by recalculating SGH's carrying value using the SWM closing bid price at 30 June 2019 and SGH's ownership interest; and • Assessing the appropriateness of the relevant disclosures in the financial statements.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of inventory As disclosed in Note 10, at 30 June 2019 the Group holds inventories with a carrying value of $931.8 million, of which $176.0 million relates to used spare parts held at WesTrac. The determination of the carrying value of inventories requires significant judgement, specifically in relation to used spare parts, as inventory provisions are determined based on the age and condition of the spare parts, and management's assessment of future demand and market conditions.	Our procedures included, but were not limited to: • Understanding the process that management undertake to determine the provision; • Testing on a sample basis management's calculation of the valuation of used spare parts held; • Testing on a sample basis management's used spare parts provision calculations, including ensuring the calculation is in line with management's identified inventory provision policy; • Assessing the assumptions, including future saleability of aged used spare parts, and corroborating management's assumptions with the relevant WesTrac inventory specialist where possible; and • Assessing the appropriateness of the relevant disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

INDEPENDENT AUDITOR'S REPORT

Deloitte.

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 76 to 93 of the Directors' report for the year ended 30 June 2019.

Deloitte.

In our opinion, the Remuneration Report of Seven Group Holdings Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JLGorton

J L Gorton
Partner
Chartered Accountants
Sydney, 21 August 2019

SHAREHOLDER INFORMATION

SUBSTANTIAL SHAREHOLDERS – ORDINARY SHARES

The number of ordinary shares held by the Substantial Shareholders based on the most recent notifications contained in the Company's Register of Substantial Shareholders as at 16 August 2019 are as follows:

Shareholder	Number of shares	% Held*
KM Stokes; North Aston Pty Limited, Wroxby Pty Limited, Tiberius (Seven Investments) Pty Limited and Ashblue Holdings Pty Limited; Tiberius Pty Limited, Redlake Pty Limited and Tiberius group entities; Australian Capital Equity Pty Limited, Clabon Pty Limited and Australian Capital Equity Pty Limited group entities.	207,304,349	61.09

* Based on issued capital at date of notification

DISTRIBUTION OF ORDINARY SHAREHOLDERS

Category (Number)	Ordinary Shareholders
1 – 1,000	7,429
1,001 – 5,000	4,966
5,001 – 10,000	662
10,001 – 100,000	316
100,001 and over	41
Total number of Holders	13,414
Number of Holdings of less than a Marketable Parcel	353

TWENTY LARGEST ORDINARY SHAREHOLDERS

Name of Shareholder	Number of Shares	% Held
North Aston Pty Limited	60,537,558	17.83
North Aston Pty Limited	53,572,442	15.78
Ashblue Holdings Pty Limited	43,000,000	12.67
HSBC Custody Nominees (Australia) Limited	38,917,549	11.46
JP Morgan Nominees Australia Limited	21,182,924	6.24
Ashblue Holdings Pty Limited	19,462,442	5.73
Wroxby Pty Limited	16,731,907	4.93
Citicorp Nominees Pty Limited	15,615,684	4.60
National Nominees Limited	13,180,625	3.88
Wroxby Pty Limited	7,000,000	2.06
Tiberius (Seven Investments) Pty Limited	7,000,000	2.06
BNP Paribas Nominees Pty Limited	3,545,232	1.04
BNP Paribas Noms Pty Limited	2,241,386	0.66
Citicorp Nominees Pty Limited	1,647,653	0.48
HSBC Custody Nominees (Australia) Limited	1,203,186	0.35
Warbont Nominees Pty Limited	865,245	0.25
Woodross Nominees Pty Limited	721,311	0.21
AMP Life Limited	703,394	0.20
HSBC Custody Nominees (Australia) Limited	596,172	0.17
CS Fourth Nominees Pty Limited	436,466	0.12
Total Twenty Largest Ordinary Shareholders	308,161,176	90.81

VOTING RIGHTS

Ordinary Shares

On a show of hands, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote. On a poll, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote for every share held.

Stock Exchange Listing

The Company is listed with the Australian Securities Exchange Limited and the home exchange is Sydney.

The Company is also listed on the Singapore Exchange Limited from 6 March 2018.

INVESTOR INFORMATION

SHAREHOLDER INQUIRIES

Investors seeking information regarding their shareholding or dividends or wishing to advise of a change of address should contact the Share Registry at:

Boardroom Pty Limited
Level 12
Grosvenor Place
225 George Street
Sydney NSW 2000

GPO Box 3993
Sydney NSW 2001

Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664

Alternatively, visit the online service at boardroomlimited.com.au

Boardroom Pty Limited has an online service for investors called InvestorServe. This enables investors to make online changes, view balances and transaction history, as well as obtain information about recent dividend payments and download various forms to assist in the management of their holding. To use this service visit the Boardroom Pty Limited website.

Other general inquiries may be directed to Mr W Coatsworth, Company Secretary on (02) 8777 7777 or visit the website at www.sevengroup.com.au.

TAX FILE NUMBER INFORMATION

The company is obliged to record Tax File Numbers or exemption details provided by shareholders. While it is not compulsory for shareholders to provide a Tax File Number or exemption details, Seven Group Holdings Limited is obliged to deduct tax from unfranked dividends paid to investors resident in Australia who have not supplied such information. Forms are available upon request from the Share Registry or shareholders can submit their Tax File Number via the Boardroom website.

THE CHESS SYSTEM

Seven Group Holdings Limited operates under CHESS – Clearing House Electronic Subregister System – an Australian Securities Exchange system which permits the electronic transfer and registration of shares. Under CHESS, the company issues a Statement of Holdings to investors, instead of share certificates, and the statement will quote the Holder Identification Number (HIN). The HIN number should be quoted on any correspondence investors have with the Share Registry.

The company will maintain investors' holdings in an Issuer Sponsored facility, which enables investors to maintain their holding without the need to be tied to any particular stockbroker.

COMPANY INFORMATION

SHARE REGISTRY

Boardroom Pty Limited
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Sydney NSW 2000

AUDITOR

Deloitte Touche Tohmatsu
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225 George Street
Sydney NSW 2000

LEGAL ADVISORS

Clayton Utz
Level 15
1 Bligh Street
Sydney NSW 2000

Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

CORPORATE DIRECTORY

SEVEN GROUP HOLDINGS LIMITED

Head Office (Registered Office)
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