Seven Group Holdings Limited
ABN 46 142 003 469
Shareholder Review 2014

Creating value through a diversified portfolio with market leading positions in the core sectors in which we operate.

SGH
Industrial Services, Media and Investments

Contents

Five year key results

Five year key financial results	30 June 2014 $m	30 June 2013 $m	30 June 2012 $m	30 June 2011 $m	30 June 2010[(a)] $m
Trading revenue	3,088.2	4,751.6	4,467.4	3,162.8	537.6
Underlying results:					
EBITDA	422.5	686.0	629.8	420.8	58.9
EBIT	374.4	622.8	553.1	353.0	47.2
Profit before tax	302.2	514.0	440.1	298.0	39.4
Profit after tax	253.2	398.9	343.2	248.3	28.1
Reported results:					
Profit before tax	310.7	622.9	132.8	32.4	724.5
Profit after tax	262.5	488.6	176.7	79.9	718.7
Underlying EPS	$0.74	$1.20	$0.98	$0.67	$0.09
Reported EPS	$0.77	$1.49	$0.43	$0.12	$5.87
Operating cash flow per share	$0.81	$2.73	$(0.37)	$(0.09)	$(0.14)
Full year fully franked dividend per share	$0.40	$0.40	$0.38	$0.36	$0.18

(a) relates to the period from commencement of the Group's trading on 28 April 2010 to 30 June 2010

Seven Group Holdings Limited
ABN 46 142 003 469

Seven Group Holdings Limited is a significant Australian diversified operating and investment group. It has market leading businesses and investments with strong revenues and earnings.

SGH shareholders have exposure to Seven's media assets, exposure to the operating business of WesTrac which is leveraged to the mining and construction industries and a growing investment in oil and gas assets in the energy sector.

Chairman's letter

Kerry Stokes AC
Executive Chairman

Seven Group Holdings faced challenging market conditions over the past financial year. Despite retaining a market leading position in the core sectors within which we operate; construction and mining machinery sales and service, media, and equipment rental, we experienced a 35 per cent decrease in trading revenue year on year. Many of our customers are also experiencing significant pressure due to decreased commodity prices. To address these market challenges, each of our operating businesses has been significantly restructured. Our goal has been to right-size the labour force and refine our cost base to remain competitive and deliver the best value to our customers. The actions we took during the year are already starting to deliver results. For example, 30 per cent of the variable cost base was removed from WesTrac China and we have returned this business to profitability.

To ensure we retain our competitive position, the businesses continue to invest in world class infrastructure and product which will enable us to continue to service our customers effectively. One such investment is the new automated parts warehouse in Western Australia which systemically selects parts, aggregates orders, weighs to ensure accuracy and automatically reorders to guarantee availability. The next stage of this investment will see WesTrac implement SAP to ensure it drives operational efficiency and allow a greater level of integration with our customers and Caterpillar. To maximise the opportunities offered by this technology we are partnering with other Caterpillar dealers globally to develop and implement common dealer processes. Such Enterprise Resource Planning systems are more than merely financial reporting systems. They also deliver smarter operational practices. For example, when they are integrated with our upgraded oil sampling technology they will allow WesTrac to further expand its predictive maintenance customer offerings.

To remain at the forefront of mining equipment automation, WesTrac Australia has also partnered with BHPB and FMG to operationalise Caterpillar's autonomous mining equipment and Cat MineStar planning technology. Productivity and cost competitiveness will be vital for the Australian economy as a whole, and it is our belief that automation will play an increasing role.

Seven West Media is also investing in top tier sports rights, winning the competitive tenders for both the Olympic and Commonwealth Games broadcast rights which will be pivotal to retaining its leading advertising market share.

As we look to the future I'd like to pay tribute to David Leckie, Peter Gammell and Jim Walker. Each has played a critical role in forming and then nurturing their respective operating business. With the resignation of each of these stalwarts, each of the businesses has undergone leadership transition. New management teams have been introduced which are ready to meet the changing demands of the media, construction and mining sectors.

Don Voelte AO has transitioned from Seven West Media to assume the role as Managing Director & Chief Executive Officer of SGH. In this role, Don's valuable global experience positions him well to ensure wealth creation and developing the next generation of talented management within the Group. Don's ability to generate sustained shareholder value is globally recognised, being one of only three ASX CEOs to be listed on Harvard Business School's 100 Best-Performing CEOs in the World. I have tasked Don with driving his disciplined approach to value creation throughout each of the operating businesses.

Tim Worner will capitalise on his extensive television experience and integrate Seven's rich content across television, newspapers and magazines in his new role as CEO Seven West Media. Jarvas Croome has assumed responsibility for WesTrac Australia, bringing his significant engineering expertise developed in numerous global multinationals. Lawrence Luo will lead WesTrac China utilising his valuable knowledge of the local market developed working for other OEMs in China and Europe. Complementing these CEOs, Don has recruited process engineers, safety security and finance personnel capable of supporting these talented leaders.

SGH has also effectively managed its investment portfolio to drive value whilst preserving financial flexibility. Under the leadership of our COO Ryan Stokes, the portfolio has delivered a 21 per cent pre-tax return this financial year, outperforming the comparative ASX 200 return by 6 per cent. Since inception in May 2010, the investment portfolio has outperformed the comparative ASX 200 return by 24 per cent. We have also focused on realising the full value of our legacy property assets through the development of Kings Square in Perth with stages 1-4 being contracted and 5-7 under consideration and the subdivision of Dianella likely to be realised in the next 12 months with the relocation of Channel Seven in Perth underway.

SGH has continued to focus on creating shareholder value by disciplined capital management. The distribution of fully franked dividends places SGH in the top quartile of the ASX in terms of the gross dividend yield with a 8.3 per cent yield against an average of 5.1 per cent. This has been supplemented by an on-market share buy-back reflecting our fundamental belief that we continue to trade at a discount to our theoretical value.

To create further shareholder value, SGH has sought to establish a third operating arm in the oil and gas sector. We believe that Australia has a comparative advantage in the energy sector given the quality of the natural resource combined with our proximity to growing centres of demand. We have therefore acquired a direct interest in an operated oil field in the United States of America to supplement the long dated reserves we hope to gain via the acquisition of Nexus Energy Limited. Whilst the Nexus transaction has been publicly complex, SGH has remained focused and methodical in acquiring this business. This investment provides our Company with an opportunity to deploy substantial capital, investing in energy assets with industry leading partners and strong future growth prospects that will provide long term value.

We have great assets, a strong management team and significant opportunities to strengthen the performance of our businesses. We have a successful partnership with Caterpillar, we are creating new operating businesses that complement our presence in the mining and infrastructure sectors and we have a major investment and market-leading presence in media. We believe that the combination of our assets, people and opportunities will allow SGH to continue to deliver shareholder value.

On behalf of the Board I thank you, our shareholders, for your continuing support and commitment to your Company.

2014 Highlights

Industrial services

Challenging commodity prices and an emphasis on cost management by customers has lowered demand for the Group's equipment and services. However, continued cost base refinements coupled with investments in productivity improvements position the Group's industrial services businesses for growth in product support.

SEGMENT ASSETS AT 30 JUNE 2014

$2.9b

Media investments

Seven West Media delivered its eighth consecutive year of television ratings dominance with a record advertising revenue share of 40.5 per cent for the twelve months ended 30 June 2014.

SEGMENT ASSETS AT 30 JUNE 2014

$1.0b

Other investments

The Group's listed investment portfolio provided a pre-tax total return of 21 per cent for the year, outperforming the comparative ASX200 return by 6 per cent. It remains a strong store of value capable of being leveraged by the Group.

SEGMENT ASSETS AT 30 JUNE 2014

$1.0b

Energy

The Nexus transaction and the acquisition of an operated interest in oil and gas assets located in the United States of America provide the Group with a potential new earnings platform with exposure to opportunities in the growing domestic and international energy sector.

ASSETS AT 30 JUNE 2014 – $0.2 BILLION WITH COMMITTED CAPITAL EXPENDITURE OF A FURTHER $0.3 BILLION

$0.2b

Operating and Financial Review

Group Business Model

Industrial Services

WESTRAC AUSTRALIA
- Controlled business
- SGH Ownership: 100%
- Industry: Mining and construction equipment
- Trading revenue FY2014: $2,377.4m
- Segment assets: $1,668.2m
- **Strategic Position:** #1 equipment solution company in WA and NSW/ACT

WESTRAC CHINA
- Controlled business
- SGH Ownership: 100%
- Industry: Mining and construction equipment
- Trading revenue FY2014: $616.3m
- Segment assets: $676.6m
- **Strategic Position:** One of the leading equipment solutions companies in China

COATES HIRE
- Joint venture
- SGH Ownership: 45%
- Industry: Industrial and general equipment hire
- Trading revenue FY2014: $1,095.0m
- Segment assets: $452.3m
- **Strategic Position:** #1 Australian equipment hire company

ALLIGHTSYKES
- Controlled business
- SGH Ownership: 100%
- Industry: Industrial lighting, pumps, generators and engines
- Trading revenue FY2014: $94.5m
- Segment assets: $130.3m
- **Strategic Position:** Supplies one of the world's broadest ranges of lighting towers, pumps, generators, engines and compressors

Media

SEVEN WEST MEDIA
- Associate
- Ownership: 35% + RCPS
- Industry: Diversified media
- Trading revenue FY2014: $1,844.9m
- Segment assets: $964.0m
- **Strategic Position:** Australia's largest diversified media company

Other Investments

INVESTMENTS
- The investment portfolio is a store of value and liquidity
- High yielding, generating franking credits for the benefit of the Group
- Weighted average Beta of approximately 0.9 (Bloomberg)
- $33m of realised and $57m of unrealised gains generated during FY2014
- Cumulative unrealised gains of $217m currently reflected in reserves
- Portfolio continues to outperform the S&P/ ASX 200 since inception in FY2010

PROPERTY
- Legacy property assets from Seven Network
- Principal assets include Kings Square and Dianella developments
- Current carrying value at 30 June 2014 is $35m

Energy

ENERGY
- Proposed as the next operating business of SGH
- Currently includes $129m of funding to Nexus
- Should Nexus be acquired, opportunity to deploy a further $300m of capital
- Also acquired an 11.2 per cent operated interest in Bivins Ranch, Texas

Business model

SEVEN GROUP HOLDINGS LIMITED (SGH) IS A LEADING AUSTRALIAN DIVERSIFIED INVESTMENT AND OPERATING GROUP WITH MARKET LEADING BUSINESSES AND INVESTMENTS IN INDUSTRIAL SERVICES AND MEDIA.

The Group's core operations are in the industrial services sector with WesTrac Group's Caterpillar dealerships in Australia and China, a 45 per cent interest in Coates Group Holdings Pty Limited (Coates) and ownership of Allight Holdings Pty Limited (AllightSykes). The Group's primary investment in media is a 35 per cent shareholding and redeemable convertible preference shares totaling $302.2 million in Seven West Media Limited (SWM), Australia's leading listed national multi-platform media business.

In addition to the above operating businesses in industrial services and media, SGH has a sizeable investment portfolio of listed securities, direct and indirect property interests and is currently pursuing opportunities in the energy sector.

SGH adopts a disciplined, value-driven methodology of investment selection, with potential investments assessed against a framework of:

› asset quality (growth sectors that offer a comparative advantage)

› ability to add value beyond the contribution of capital through the leveraging of existing assets, relationships and expertise

› return on investment that exceeds the Group's cost of capital

› enhancement of portfolio diversification

› acceptable risk profile

› acceptable implied opportunity cost

Detail of the financial performance and outlook of SGH's key operating segments is provided in the "Review of Businesses" section.

Richard Richards
Chief Financial Officer Seven Group Holdings
Age 46

Richard joined SGH as CFO in October 2013 from diverse industrials group Downer Edi, where he was Deputy CFO having previously held roles with the private investment and philanthropic vehicle of the Lowy Family and various senior finance roles at Qantas. He has a Bachelor of Commerce/ Laws (Hons), a Master of Laws and a Master of Applied Finance being both a CA and admitted Solicitor. Richard is a Director of Coates Hire, WesTrac Australia and China and is also a Deputy Chair of KU Childcare.

Ryan Stokes
Chief Operating Officer
Seven Group Holdings
Age: 38

Ryan obtained a Bachelor of Commerce from Curtin University and is a Fellow of the AIM. He worked in investment banking with Merrill Lynch in New York prior to assuming an executive role in Australian Capital Equity (ACE) in July 2000, of which he is now CEO. He has been an Executive Director of SGH since February 2010 and was appointed COO in 2012, leveraging his extensive experience gained through various roles with Seven Network Ltd and as a Director of WesTrac since 2001. He was a NED of Consolidated Media Holdings, has held operating roles in Pacific Magazines, was a founding Director of Yahoo7, gained extensive experience working in China, and is a Director of Iron Ore Holdings. Ryan is Chairman of the National Library of Australia, a Director of the Australian Strategic Policy Institute, and he is a member of the Prime Ministerial Advisory Council on Veterans Mental Health, having been a former Chairman of Australia's National Youth Mental Health Foundation (Headspace).

Operating and Financial Review
(continued)

Financial performance

	As reported		Significant items[a]		Underlying trading performance[b]	
	2014 $m	**2013 $m**	**2014 $m**	**2013 $m**	**2014 $m**	**2013 $m**
Total revenue	3,088.2	4,751.6	–	–	3,088.2	4,751.6
Total other income	148.3	182.4	(43.7)	(103.7)	104.6	78.7
Share of results from equity accounted investees	103.6	115.5	0.9	9.6	104.5	125.1
Impairment of equity accounted investees	(42.2)	77.9	42.2	(77.9)	–	–
Total expenses excluding depreciation and amortisation	(2,886.7)	(4,344.1)	11.9	74.6	(2,874.8)	(4,269.5)
Profit before depreciation and amortisation, net finance costs and tax	**411.2**	**783.4**	**11.3**	**(97.4)**	**422.5**	**686.0**
Depreciation and amortisation	(48.1)	(63.2)	–	–	(48.1)	(63.2)
Profit before net finance costs and tax	**363.1**	**720.2**	**11.3**	**(97.4)**	**374.4**	**622.8**
Net finance costs	(52.4)	(97.3)	(19.8)	(11.5)	(72.2)	(108.8)
Profit before tax	**310.7**	**622.9**	**(8.5)**	**(108.9)**	**302.2**	**514.0**
Income tax expense	(48.2)	(134.3)	(0.8)	19.2	(49.0)	(115.1)
Profit for the year	**262.5**	**488.6**	**(9.3)**	**(89.7)**	**253.2**	**398.9**
Profit for the year attributable to:						
Equity holders of the Company	261.1	486.4	(9.3)	(89.7)	251.8	396.7
Non-controlling interest	1.4	2.2	–	–	1.4	2.2
Profit for the year	262.5	488.6	(9.3)	(89.7)	253.2	398.9
EARNINGS PER SHARE (EPS)						
Ordinary shares						
Basic earnings per share	$0.77	$1.49			$0.74	$1.20
Diluted earnings per share[a]	$0.77	$1.49			$0.74	$1.20

(a) Further detail regarding the nature of significant items is contained in Note 4 of the Annual Report.

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

Revenue & Other income

Trading revenue for the year fell 35 per cent compared to the prior year to $3.1 billion due to reduced product sales in WesTrac Australia as a result of a marked decrease in equipment purchases from the mining downturn in both Western Australia and New South Wales. Compared to a 51 per cent fall in product sales revenue, product support only decreased 3 per cent, showing the relative stability of this income stream despite the focus on cost cutting and maintenance deferral by mining customers.

Dividend income from the listed investment portfolio was stable and represented a blended gross dividend yield of 5 per cent for the year. Furthermore, the proportion of franked dividends received from the listed investment portfolio increased by 6 per cent to 78 per cent.

Expenses

Disciplined cost management and the realisation of restructuring initiatives implemented by WesTrac Australia and WesTrac China during the year saw total expenses excluding depreciation and amortisation reduce 34 per cent or $1,457.3 million to $2,886.8 million. Materials cost of inventory sold and used and raw materials and consumables used fell 35 per cent, in line with the reduced product sales and product support revenues generated by WesTrac Australia.

Employee benefits expense decreased 34 per cent or $232.2 million, representing 15 per cent of total expenses, a decrease of 1 per cent from the prior year of 16 per cent through the impact of restructuring and redundancy program undertaken by WesTrac Australia in the first half of the financial year. Total restructuring and redundancy costs incurred during the year were $10.2 million, a $44.4 million reduction on the prior year costs of $54.6 million.

Net finance costs

On a statutory basis, net finance costs decreased $44.9 million, a 46 per cent reduction on the prior year. Total finance income increased $22.7 million on the prior year due to the recognition of financial guarantee income from Flagship Property Holdings Pty Limited (Flagship), the unwinding of a fair value discount on deferred proceeds from the sale of vividwireless received during the year, interest and finance fee income receivable from the acquisition of Nexus Energy Limited's (Nexus) senior debt and subordinated notes and a higher average cash balance held during the year compared to FY2013.

Total finance costs decreased $22.2 million, driven by the repayment of US$70.0 million US private placement notes and $324.4 million reduction in average gross debt levels in the current year compared to the prior year.

Depreciation and amortisation expense for the year fell $15.1 million or 24 per cent driven by the amortisation of customer contracts referable to the Expanded Mining Products (EMP) Australia acquisition in the prior year and decreased depreciation due to the reduction in WesTrac Australia's rental fleet.

Income tax

The Group's statutory effective tax rate of 15.5 per cent represents a reduction on the prior year's rate of 21.6 per cent, reflecting the benefit of franked dividend income accounting for a greater proportion of the Group's profit before tax.

Significant items

Significant items for the year totaling $9.3 million are excluded from statutory profit to determine the Group's underlying financial and trading performance, as they are non-recurring and are summarised as follows:

Significant items ($m)	30 June 2014	30 June 2013
Gain on sale of other investments and mark-to-market of derivatives	39.5	93.3
(Impairment)/impairment reversal – SWM equity	(42.2)	77.9
Impairment – other	–	(9.5)
Restructuring, redundancy and other costs	(10.2)	(54.6)
Share of equity accounted investees' significant items	(0.9)	(9.6)
Other items	2.5	–
Significant items – EBIT	**(11.3)**	**97.4**
Net finance income	19.8	11.5
Tax benefit/(expense) relating to significant items	0.8	(19.2)
Significant items – NPAT	**9.3**	**89.7**
Statutory NPAT	**262.5**	**488.6**
NPAT excluding significant items	**253.1**	**398.8**

Provided below is a reconciliation of the Group's statutory to underlying result by segment:

Earnings summary ($m)	Total Group	WesTrac Australia	WesTrac China	AllightSykes	Coates Hire	Media Investments	Other Investments	Other
Statutory EBIT	**363.1**	**198.2**	**19.6**	**(4.6)**	**22.5**	**60.9**	**84.2**	**(17.7)**
Add: unfavourable significant items								
Restructuring, redundancy and other costs	32.8	14.0	1.1	1.8	15.7	–	–	0.2
Loss on sale of investments	0.1	–	0.1	–	–	–	–	–
SWM impairment	42.2	–	–	–	–	42.2	–	–
Mark-to-market on derivatives	1.7	–	–	–	–	–	1.9	(0.2)
Less: favourable significant items								
Gain on sale of assets	(14.8)	–	–	–	(11.9)	–	(2.9)	–
Gain on sale of investments	(41.3)	–	–	–	–	–	(40.3)	(1.0)
Other items	(9.4)	(9.4)	–	–	–	–	–	–
Total significant items – EBIT	11.3	4.6	1.2	1.8	3.8	42.2	(41.3)	(1.0)
Segment EBIT	**374.4**	**202.8**	**20.8**	**(2.8)**	**26.3**	**103.1**	**42.9**	**(18.7)**

Operating and Financial Review
(continued)

Financial position

Net assets of the Group increased $107.5 million to $3.1 billion at 30 June 2014.

Group net working capital (trade and other receivables, inventories, trade and other payables and current provisions) decreased $119.7 million to $868.5 million largely reflecting reduced investment in inventory and trade receivables given the significant reduction in sales in WesTrac Australia.

Inventory reduced 18 per cent to $856.6 million reflecting the softer trading outlook and continued focus on working capital management.

Investments in equity accounted investees were down on the prior year, driven primarily by the adverse movement in share price of SWM offsetting the Group's share of profit of Coates and SWM for the year. During the year, the Group's investment in unlisted property fund Flagship Property Holdings Pty Limited (Flagship) provided a $21.1 million return of capital, proceeds of which were used to pay down debt.

The carrying value of investments in other financial assets rose $197.2 million to $1,232.5 million due to net additions to the listed investment portfolio and the acquisition of all of Nexus' senior secured debt and 68 per cent of the subordinated notes, totaling $114.1 million. Unrealised gains of $217.3 million at 30 June 2014 are currently recognised in reserves rather than the income statement as all securities in the Group's listed investment portfolio are classified as available-for-sale. Other financial assets also include $302.2 million of convertible preference shares issued by SWM, currently earning a coupon of 7.143 per cent per annum or equivalent yield of 9.0 per cent with an anticipated maturity of 21 April 2016.

Intangible assets increased $109.6 million as a result of the EMP China distribution network acquired and interests in exploration and evaluation oil and gas assets based in the United States of America acquired during the year.

Interest bearing loans and borrowings decreased $57.8 million during the year primarily due to the lower working capital requirements and the impact of exchange rates on foreign denominated debt which have also had an offsetting impact on derivative financial instrument liabilities.

Net deferred tax liabilities have increased $51.0 million to $349.0 million primarily driven by increase in the carrying value of the Group's investment listed portfolio. SGH currently has a number of outstanding tax positions under review and objection with the relevant taxation authorities. While, these outstanding tax positions are not included in the Group's net deferred tax liability position at 30 June 2014 as they do not meet the recognition requirements of actual or contingent assets, resolution of the matters may result in the realisation of significant benefits for the Group. These matters are currently being disputed or litigated and quantification of likely outcomes should be achieved in the next financial year.

Net debt & cash flow

Group net debt increased $355.9 million to $1,069.3 million at 30 June 2014.

At 30 June 2014, the Group's gearing (net debt to net debt plus equity) increased 6.5 per cent to 25.9 per cent. Approximately 81 per cent of Group debt is fixed, while the average tenor of the Group's debt facilities was 3.9 years. Importantly, at 30 June 2014 the Group had $1,075.4 million available undrawn facilities, providing SGH with flexibility to fund future investment opportunities. This is further supplemented by the $915.6 million listed investment portfolio which could be used to fund investment in operating businesses.

Net operating cash inflows for the year reduced $595.6 million to $244.9 million, substantially down on the prior year, primarily driven by the downturn in trading activity in WesTrac Australia and an increase in income tax payments as a result of the record profitability of FY2013. The Group's EBITDA to operating cash conversion ratio has fallen from 155 per cent in the prior year to 107 per cent for the current year, reflecting the impact of the timing of the downturn in the previous financial year after a record first half on the previous year closing working capital.

Net investing cash outflows for the year of $387.7 million reflected the Group's acquisition of Bucyrus China, senior and subordinated debt issued by Nexus and net additions to the listed investment portfolio.

Melanie Allibon
Group Executive – Human Resources
Seven Group Holdings
Age: 49

A PASSION FOR DEVELOPING LEADERS AND IMPROVING CAPABILITY.

After completing a Bachelor of Business at South Australian University, Melanie commenced her HR career with BHP. She has since held senior HR, Safety and Operating Risk roles in FMCG (Foster's), manufacturing (Amcor) and retail/ fashion with Pacific Brands. Her experience spans the UK, China, Middle East, USA, Vietnam, Fiji, NZ and Australia. Melanie leads the HR functions for both SGH and Seven West Media and is also a Non-Executive Director for Melbourne Water.

Bill Forbes AM
Chief Risk Safety & Security Officer
Seven Group Holdings
Age: 64

ROBUST WORKPLACE SAFETY AND SECURITY ARRANGEMENTS ARE ACHIEVED THROUGH LEADERSHIP.

Bill was appointed Head of Risk, Safety & Security SGH in February 2014 having had 9 years of experience in the oil and gas industry establishing security and emergency management arrangements at Woodside Energy. Bill has over 45 years experience at operational and strategic levels managing security events, emergencies and crisis in various roles, including the Australian SAS, US Marine Corps, US Navy Seals and WA's Fire & Emergency Services. He is an Honours Graduate of the US Marine Corps (USMC) Command & Staff College.

Net financing cash outflows for the year of $270.2 million included the repayment of US$70.0 million in US private placement notes, payment of ordinary and TELYS4 dividends of $148.9 million and the $44.1 million impact of the on-market share buy-back.

Capital management

On 11 December 2013, SGH announced an on-market share buy-back of approximately 11.9 million shares as part of the Company's ongoing capital management strategy. As at 30 June 2014, 5.5 million shares were bought-back and subsequently cancelled at a total cost of $44.1 million. Subject to market conditions and trading volumes, the buy-back is anticipated to be completed by December 2014.

SGH maintained its full year dividend of $0.40 per share which continues to be fully franked. Future dividend amounts and franking levels will be made with regard to the medium term profitability of the Group and its Australian tax paying position.

Outlook & future prospects

SGH is looking for opportunities to grow and develop its investments in oil and gas assets, a sector which SGH believes offers superior medium to long term growth prospects and where Australia is perceived to have a competitive advantage. The creation of a portfolio of oil and gas interests with a mix of both production and development assets is envisaged to form a third operating pillar for the Group that would complement its existing industrial services and media businesses and provide a platform to increase future shareholder returns.

In industrial services, continued cost discipline remains a key focus area to ensure WesTrac Group profitability in light of the new mining environment where customers in both Australia and China are increasingly determined to reduce their costs of production. Market consensus on future iron ore and coal prices are mixed, however do not indicate a return to the highs experienced in the mining boom period of 2012, which will place continued pressure on WesTrac Australia's revenues.

The appointment of new executives at the Group level and in WesTrac Australia and WesTrac China provides SGH with talented personnel with the right balance of operational expertise and industry experience to drive the strategic changes required to guide the Group through this difficult period of changing market dynamics. Combined with the experience and expertise of the Group's existing executive team, SGH is also well placed to capture any opportunities that arise in the energy sector.

The Group's outlook varies by markets. Resources exposed businesses such as WesTrac Australia and WesTrac China are expected to be flat or declining on current low levels. Coates' results should strengthen slightly as project expenditure transitions from mining to construction infrastructure.

Underlying mining commodity markets are currently very difficult for a number of key customers. The short term pressures on service providers like WesTrac and Coates is difficult to predict. Over the longer term we believe demand for our products and services will return to normal levels as customers seek to replace ageing fleet with more efficient autonomous equipment.

For FY2015, SGH is targeting flat underlying EBIT, subject to there being no further deterioration in market conditions.

Industrial Services

WE ARE POWERING THE INDUSTRIES THAT DRIVE OUR ECONOMY BY SUPPORTING PRODUCTS AND PRODUCTIVITY TO DELIVER INTEGRATED CUSTOMER SOLUTIONS EFFICIENTLY AND SAFELY.

WesTrac CAT | WesTrac 威斯特 CAT | ALLIGHTSYKES | coateshire

Autonomous Haulage Solutions (AHS)

AHS is more than merely autonomous mining trucks, it is part of a system focused on delivering a solution rather than just a technology. It is focused on how customers can maximise their return, how they can improve and re-engineer mine planning processes together with putting autonomy into mine sites.

James Scott
Group Executive Performance
Seven Group Holdings
Age: 42

FOCUSED ON DRIVING TECHNOLOGY, SYSTEMS AND PROCESS TO DELIVER A COMPETITIVE ADVANTAGE TO OUR CUSTOMERS.

James holds an Honours degree in Electrical Engineering from Loughborough University, UK. He has 20 years experience in system integration, digital technology and broadband/mobility solutions, having worked as a partner in both KPMG and Accenture. James oversees our technology engagement with CAT and customers focusing on Mobility and AHS (Autonomous Haulage Systems) driving technology and innovation. James is the executive sponsor and delivery owner of the S3 (Simplification, Standardisation and Scalability) program in which we are leveraging proven global CAT Dealer processes.

WesTrac Group

WesTrac Group is comprised of WesTrac Australia, the sole authorised dealer for Caterpillar equipment in Western Australia, New South Wales and the Australian Capital Territory, and WesTrac China, the sole authorised dealer for Caterpillar equipment in the north eastern China provinces of Hebei, Liaoning, Heilongjiang, Jilin, Shanxi, Inner Mongolia and the municipalities of Beijing and Tianjin. Both the Australian and China operating businesses have been strengthened by the acquisition of the EMP business from Caterpillar in June 2012 (Australia) and May 2014 (China) providing each dealership with an extended product range.

WesTrac's business is dependent on a strong long-term partnership with Caterpillar, the world's leading equipment manufacturing company. WesTrac Group has redefined its strategic intent to be "the customer's first choice for the provision of equipment solutions".

WesTrac Group has two main sources of revenue: equipment sales (product sales) which accounted for approximately 50 per cent (2013: 67 per cent) of WesTrac Group's total sales for the 2014 financial year and parts and servicing (product support) which accounted for 50 per cent (2013: 33 per cent) of WesTrac Group's total sales.

Other revenue sources for WesTrac Group include the sale of used equipment and used parts, rental of equipment and equipment management services such as conditioning monitoring, training and education.

Product support revenues are typically generated by a combination of customer programs involving preventive and repair or rebuild maintenance. These earning streams are generally fairly resilient during a downturn, evidenced by the change in WesTrac Australia's current year revenue mix which saw product support revenue represent 57 per cent of total revenue and other income, against only 34 per cent in the previous year.

WesTrac Australia ($m)	30 June 2014	30 June 2013	Change %
Product sales	984.5	2,678.7	(63)
Product support	1,365.2	1,405.6	(3)
Other revenue and other income	51.2	26.3	95
Total revenue and other income	**2,400.9**	**4,110.6**	**(42)**
Segment EBIT	202.8	446.7	(55)
Segment EBIT margin	8.4%	10.9%	(22)

Jarvas Croome
CEO WesTrac Australia
Age: 42

WE MAXIMISE SHAREHOLDER VALUE BY BEING OUR CUSTOMERS' FIRST CHOICE IN THEIR EQUIPMENT SOLUTIONS.

Jarvas has a combined Mechanical Engineering and Commerce degree from UWA and has held a variety of senior roles working domestically and overseas with Woodside and Shell and welcomed the opportunity to return with his family to Australia in March 2014. Jarvas has previously managed billion dollar turnover operating units, has executed a number of significant business improvement programs and has demonstrated a strong ability to manage a broad leadership team to deliver long term benefit for shareholders.

Greg Graham
Chief Executive WesTrac NSW/ACT
Age: 52

DEDICATED TO REFINING THE WESTRAC OPERATING MODEL AND POSITIONING WESTRAC TO DELIVER THE BEST OUTCOMES POSSIBLE FOR CUSTOMERS, EMPLOYEES AND SHAREHOLDERS.

Greg holds a Bachelor of Business from the QUT and an MBA from the UWA. Greg has over 25 years experience in the capital equipment sector having started his career with Caterpillar in 1986. His career included operational roles domestically and internationally with customers and most recently was MD of Liebherr Australia and EVP, Sales and Marketing, for Liebherr Mining Equipment SAS. He is also a NED of Energy Power Systems Australia.

WesTrac Australia

Financial performance

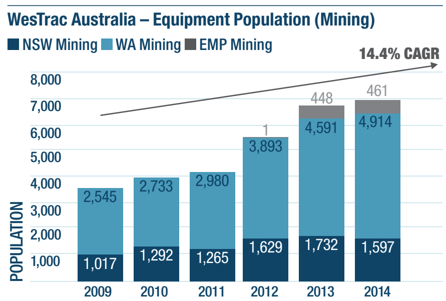
WesTrac Australia delivered segment EBIT of $202.8 million, down 55 per cent on the record $446.7 million segment EBIT of FY2013, driven by a continued contraction in demand for new equipment by major mining customers in Western Australia and New South Wales first observed in the second half of FY2013.

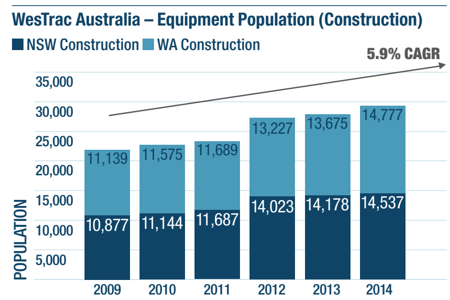
A high Australian dollar and declining commodity prices has led to a customer focus on austerity. Customers are choosing to optimise their existing fleet rather than acquiring new equipment to the detriment of new product sales which are down 63 per cent on the prior year. Product support revenue, down 3 per cent to $1,365.2 million, was also negatively impacted as customers deferred maintenance spend through the rotation of surplus equipment and extending non-mandatory service intervals.

Austerity has not only been a focus for WesTrac Australia's customers, the considerable reduction in trading activity has seen the implementation of cost saving initiatives across the business particularly around the right-sizing of the work force and administration costs. Restructuring and redundancy costs of $10.8 million were incurred during the year resulting in a reduction of total head count by approximately 25 per cent or 863 FTE. The workforce restructuring is anticipated to deliver annualised cost savings of approximately $84.0 million, the benefit of only half of which occurred in the current year given the program was completed in November 2013 and some of which will be priced back to customers.

The shift in sales mix, where higher margin product support revenue accounted for a greater proportion of total revenue and other income in the current year (57 per cent versus only 34 per cent in FY2013) combined with the cost saving measures enabled WesTrac to only slightly drop segment EBIT margins from 10.9 per cent in FY2013 to 8.4 per cent in the current year despite the significant reduction in product sales volume.

Review of Businesses





Kerry Tonta
Parts Warehouse Operations Manager for the WA
Age: 43

KERRY IS FOCUSED ON CREATING FINANCIAL BENEFITS BY OPTIMISING WESTRAC'S INVENTORY MANGEMENT WHILST BUILDING A SAFETY BASED CULTURE.

Kerry recently joined WesTrac leading the logistic team in one of the most significant warehousing and distribution changes the business has undertaken. Kerry has over 20 years experience in the logistics arena, having held leadership roles with major third party logistics, retail and FMCG organisations. Kerry has been responsible for Warehouse Management System and new warehouse implementations which included the establishment of one of the largest distribution centres in Australia.

Strategy and future opportunities

Despite the difficult market conditions faced in the current year, WesTrac's equipment population has increased at a compound annual growth rate (CAGR) of 7.2 per cent since 2009. The growing infield equipment base represents a significant opportunity for product support revenue in future periods. However, it should be noted that this opportunity is not without risk, particularly if volatile commodity markets continue to limit customer opportunities for new mine investment as well as maintenance expenditure.

Recently announced major infrastructure projects in NSW such as the WestConnex motorway, M1-M2 Link and North West Rail Link combined with a positive outlook in the NSW residential and commercial building construction market provide WesTrac Australia an opportunity to grow sales and mitigate the impact of the flat NSW coal mining market.

Central to the execution of WesTrac's new strategic intent of being "the customer's first choice for the provision of equipment solutions" is a business transformation program known as S3 (simplification, standardisation and scalability). A major component of the S3 program is the delivery of a new operating platform based on SAP that will enable WesTrac to better service customers through increased efficiency of business processes and operations. The S3 program is due to be completed in FY2018, with the first phase being implemented in FY2015 at a cost of $16.4 million. Cost savings on full implementation are expected to be $38.3 million per annum.

As customers chase more efficiency from their equipment, WesTrac is progressing several initiatives to deliver excellence in product support through improved customer service, better channels to market and effective operations. Winning in each industry (i.e. mining or construction) requires a differentiated approach and so for key customer contracts, WesTrac has enhanced its delivery model to ensure customer needs are met and contracts are executed robustly. For the more transactional segments, WesTrac is implementing simpler solutions making it easier to do business with us.

Whilst gaining share in product support is a key focus of the strategy, WesTrac continues to lead the market with product sales, focusing on winning replacement opportunities.

In capturing the technology imperative, WesTrac is increasing capability and creating value for customers by improving their cost competitiveness and productivity, and through optimising the human interface on site ensuring safer work practices. One facet of WesTrac's technology drive is leading the way in autonomous haulage technology as a key enabler for future growth. WesTrac is working side by side with Caterpillar to drive further development and innovation in this industry.

WesTrac China ($m)	30 June 2014	30 June 2013	Change %
Product sales	513.8	383.5	34
Product support	102.6	100.9	2
Other revenue and other income	5.2	2.1	–
Total revenue and other income	**621.6**	**486.5**	**28**
Segment EBIT	20.8	(2.5)	–
Segment EBIT margin %	3.3	(0.5)	–

Lawrence Luo
CEO elect WesTrac China
Age: 52

WESTRAC IS WELL POSITIONED IN CHINA TO CAPTURE THE BUSINESS OPPORTUNITY OF CUSTOMER UPGRADING AND MINE CONSOLIDATION.

Lawrence has a Bachelor of Engineering from China University of Science & Technology, Hefei and a Master of Science from the Institute of Electronic Optics, China Academy of Science, Beijing. Lawrence joined WesTrac China in July this year and will transition to CEO on 1 January 2015. Lawrence has vast experience in the mining and construction equipment industry, for the last 20 years he worked for several major multi-national organisations including Volvo, Sandvik and Dynapac to establish and develop their China operations.

WesTrac China

Financial performance

WesTrac China delivered segment EBIT of $20.8 million, a turnaround of $23.3 million on the segment EBIT loss of $2.5 million in the prior year.

Product sales revenue increased 34 per cent behind strong engine sales due to growth in demand from the China oil and gas sector. The strong engine sales compensated for a decrease in hydraulic excavator sales in WesTrac China's territories due to a contraction in coal mining activity as a result of falling coal prices. Product support revenue increased slightly, up 2 per cent on the prior year primarily due to increased awareness of customers on the importance equipment maintenance given the relative infancy of the Chinese heavy equipment market compared to more mature markets.

The benefits of the significant cost reconfiguration measures implemented in FY2013 came to fruition in the current year as WesTrac China's segment EBIT margin of 3.3 per cent exceeded that of FY2012 levels despite the total revenue base of FY2012 being $53.9 million higher than FY2014. Cost discipline remains a key focus of the business, leveraging the business to fully take advantage of market share growth in the future.

Strategy, future opportunities & outlook

WesTrac China successfully acquired the EMP business for its existing territories from Caterpillar on 5 May 2014. The acquisition greatly increases WesTrac China's product offering, opening previously unavailable opportunities in the underground mining space, vital given underground mining accounts for more than 80 per cent of all coal production in China. Integration of EMP's operations has gone smoothly, with the business now focused on the engagement and maintenance of key customer relationships and maximising market penetration.

WesTrac China dealership territories

Coates Hire ($m)	30 June 2014	30 June 2013	Change %
Revenue and other income	1,095.0	1,241.0	(12)
Gross profit	698.2	824.2	(15)
Underlying EBITDA	431.6	533.7	(19)
Underlying EBIT	188.4	279.2	(33)
Statutory NPAT	39.7	81.5	(51)

Segment result ($m)	30 June 2014	30 June 2013	Change %
Share of Coates underlying NPAT	23.8	43.1	(45)
Other income	2.5	4.7	(47)
Segment result	**26.3**	**47.8**	**(45)**

Michael Byrne
CEO elect of Coates Hire
Age: 49

Appointment effective 13 October 2014. Michael joins Coates from Linfox Logistics where he has been in leadership roles for the past 15 years, the last 8 as CEO. Under his leadership, Linfox tripled in size with a coherent and well executed expansion strategy across Australia and the Asia Pacific Region making improvements in safety and sharpening its focus on strategic partnerships with its customer base. Michael was previously the CEO of Westgate Logistics and GM at Mayne Logistics. He has a Masters of Science in Transportation and Infrastructure from the University of Denver and has completed Advanced Management training at both the University of Virginia and MIT.

Coates Hire

Coates is Australia's largest integrated equipment hire company with a network of over 200 branches and satellite locations, and one of the largest equipment hire businesses globally.

Coates is Australia's largest hirer of excavation support equipment, trench safety systems, specialist pumps, dewatering equipment and associated products. Its product range includes equipment for compaction, access, power generation, mobile lighting, welding and general equipment, as well as portable buildings, commercial buildings, portable toilets, temporary fencing and containers, shoring, traffic management, confined space and laser equipment.

Coates also operates in Indonesia under a division called Coates Hire Indonesia which hires air compressors, lighting towers, compaction, pumps, welding, access equipment and other equipment to mainly mining and oil and gas companies across the archipelago. Coates Hire Indonesia operates in major centres in Java and Kalimantan, with on-site facilities in Sulawesi, Sumatra and Irian Jaya.

In November 2013, Coates divested its operations in the United Kingdom, Coates Offshore, realising a profit on sale of $26.5 million. Net sale proceeds received of $119.0 million were used to pay down debt.

Financial performance

Coates full year underlying EBIT of $188.4 million is 33 per cent below the prior year and reflects the impact of the reduction in the number of large infrastructure and mining projects, particularly in Western Australia.

Given the difficult trading conditions, Coates undertook a restructuring and redundancy program during the year and also impaired the carrying value of its hire fleet assets surplus to requirements to reflect their estimated sale value. SGH has recognised its share of the cost of the redundancy program and asset impairment, offset by the net gain on sale of Coates Offshore as significant items.

Strategy, future opportunities & outlook

Following a continued declining outlook in its markets, with increased cost sensitivity of customers and the emergence of online aggregator sites, Coates is conducting a strategic review of its operating model. Results of the strategic review are due in November 2014. In addition, Coates are currently looking at a number of potential organic and acquisition opportunities to capitalise on its market leading position.

Coates Hire FY2014 revenue end market split

Engineering	28%
Residential	4%
Non Residential	12%
Government	4%
Commercial & manufacturing	10%
Events	2%
Industrial Maintenance	7%
Mining & Resources (Development)	9%
Mining & Resources (Production)	13%
Oil & Gas	11%

AllightSykes ($m)	30 June 2014	30 June 2013	Change %
Trading revenue	94.5	155.8	(39)
Segment EBIT	(2.8)	(0.6)	–
Segment EBIT margin (%)	(3.0)	(0.4)	–

Jamie Saunders
EGM WesTrac Client Solution
Age: 42

MAXIMISING CUSTOMER VALUE BY DELIVERING BESPOKE SOLUTIONS.

Jamie holds a trade certificate as an Electrical Fitter Mechanic which complements his Bachelor of Electrical & Electronic Engineering. Jamie has 16 years experience in mining and mining services related industries having held management positions within 2 major mining equipment companies including Service manager, MARC Manager, Sales Manager, Business Development Manager, India Managing Director and Western Australia and South Australia General Manager. In his current role he has responsibility for WesTrac Sales, Marketing & Technology is a Director of Sitech NSW & WA (Construction Equipment GPS guidance systems sales and service) a Director of EPSA (Engineered Power Systems Australia) – CAT engine sales for marine, defence, generation and a Director of AllightSykes – Manufacture, Sales and service of Lighting Plants, Generators and Pumps.

AllightSykes

Financial performance

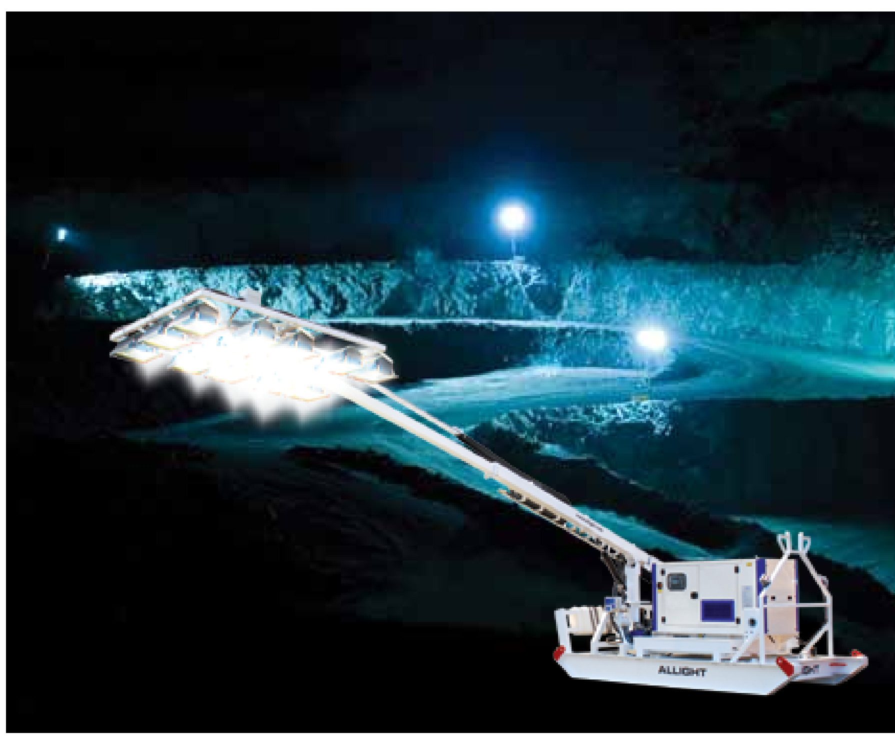
AllightSykes reported full year trading revenue of $94.5 million, a 39 per cent decline on the prior year driven by the prolonged contraction in investment by the mining sector, which negatively impacted demand for new capital equipment.

In response to the declining revenues that the subdued market activity has had on the business, AllightSykes implemented measures to rationalise the cost base to levels appropriate to support current business activity. Restructuring and onerous property costs of $1.8 million were incurred during the year, with total headcount reducing by 22 per cent to 266. Significant overhead cost reductions were achieved across all cost categories, with year on year cost savings of $10.6 million.

Strategy, future opportunities & outlook

AllightSykes' lighting tower business remains at the forefront of product innovation and is the market leader of emerging LED lighting technology which the market is steadily embracing as the lighting solution of choice. However, increased competition from overseas suppliers has led to a focus on offshore procurement to reduce production costs, whilst retaining the quality proposition. The business is well progressed towards meeting its cost down targets, achieving in excess of a 15 per cent reduction in completed product costs at year end.

The dewatering pump business has made good progress towards securing an overseas strategic partner to distribute its range of products as well as introducing new and innovative pump products into the domestic and overseas markets.



Media Investments

Review of Businesses

SEVEN WEST MEDIA COMPRISES SEVEN NETWORK, THE LEADING FREE TO AIR TELEVISION NETWORK; PACIFIC MAGAZINES, THE COUNTRY'S SECOND LARGEST MAGAZINE GROUP BY READERSHIP; YAHOO7, ONE OF THE NATION'S MOST SUCCESSFUL INTERNET PLATFORMS, AS WELL AS WESTERN AUSTRALIA'S LEADING NEWSPAPER, THE WEST AUSTRALIAN, AND ASSOCIATED WA REGIONAL NEWSPAPERS AND RADIO STATIONS.

X Factor, Channel Seven

Media Investments

Media Investments is comprised of the Group's 35.3 per cent equity interest and convertible preference shareholding in SWM, Australia's leading listed national multi-platform media business.

SWM's full year net profit included Significant items of $87.0 million after tax largely due to the impairment of the magazine business' intangible assets. Excluding significant items, the current year profit after tax was up 4.9 per cent on the previous year.

SWM revenue was down 1.1 per cent on prior year and EBIT was down 3.3 per cent on the prior year. The total advertising market returned to growth in the year up 1.9 per cent on the prior year according to SMI data. Advertising expenditure benefited from higher Government spending around the Federal Election, while the second half declined slightly, down 1.4 per cent, with consumer confidence and business sentiment softening.

Based on SMI data, television industry advertising has broadly maintained its share of total advertising expenditure, while print's share of total advertising has declined at the expense of growth in digital advertising. Newspaper advertising now represents 11.1 per cent of advertising spend and magazines 3.6 per cent.

The metropolitan television advertising market grew 3.5 per cent for the year and Seven achieved a record 40.5 per cent revenue market share. Advertising conditions in print remain challenging although SWM continues to outperform its peers. Both the West Australian Newspapers and Pacific Magazines grew market share, outperforming the market with declines of 14.7 per cent and 6.0 per cent respectively.

Total SWM costs decreased 0.4 per cent in year as a result of continued focus on cost reduction initiatives. Newspaper and magazine cost reductions of 7.9. per cent and 4.3 per cent respectively were offset by Television cost growth of 1.7 per cent in the year. SWM achieved its cost reduction objectives, offsetting investment in content and inflation pressures.

SWM's key businesses continue to maintain strong margins with television increasing its EBITDA margin to 25.7 per cent (25.2 per cent in prior year), newspapers EBITDA margin of 32.8 per cent (35.5 per cent in prior year) and magazines EBITDA margin of 10.3 per cent (14.2 per cent in prior year). The strong performance in television led to an increase in the percentage of EBITDA contribution to the group by the television business, which now accounts for 73 per cent of SWM's EBITDA.

At 30 June 2014 SGH's share of SWM's net assets was $1,022.7 million. The net debt of SWM declined 6.6 per cent, with the strong operating cash flow being used to pay down debt.

The past twelve months has seen SWM drive home its leadership as it brings its broadcast television, publishing and online businesses together as "one company" and drive greater efficiencies as well as identify opportunities for growth. SWM has also made significant progress in its plans to expand its leadership in content creation and distribution to new delivery platforms. SWM is also making its first significant steps in implementing a major data initiative that will play a key role in defining how its media assets communicate with audiences to drive greater revenue opportunities. Further, SWM is creating a presence in live events with a new company that will expand its media brands and content beyond its current media businesses.

SEVEN DELIVERS EIGHTH CONSECUTIVE YEAR OF MARKET LEADERSHIP IN AUDIENCE DELIVERY AND CONFIRMS MARKET LEADERSHIP IN ADVERTISING REVENUE SHARE.

40.5%

Media Investments($m)	30 June 2014	30 June 2013	% Change
Share of associates NPAT:			
Seven West Media	74.3	72.6	2
Consolidated Media Holdings	–	6.6	–
Other income:			
Other investment income	28.8	26.6	8
Segment EBIT	**103.1**	**105.8**	**(3)**

Media Investments($m)	30 June 2014	30 June 2013	% Change
By investment:			
Seven West Media	100.1	96.2	4
Consolidated Media Holdings	–	6.6	–
Other	3.0	3.0	–
Segment EBIT	**103.1**	**105.8**	**(3)**

Tim Worner
CEO of Seven West Media
Age: 52

IDENTIFYING AND ORIGINATING THE BEST CONTENT AND DELIVERING IT ANYWHERE, ANYTIME TO THE BIGGEST AUDIENCE.

Tim has a prodigious media pedigree having led the transformation of the Seven Network whilst he was responsible for Programming and Production of all three Seven channels (Seven, 7TWO and 7mate). He joined the Seven Network in Perth and his roles have included Head of Sport in Melbourne and Head of Program Development. Tim is also a Director and Chairman of Australian News Channel, which operates Sky News, and a Director of Yahoo7 and Free TV Australia.

Television

Across the 2014 television season, Seven continues to lead in primetime. Seven is number one on primary channels and the combined audiences of digital channels across primetime, and has grown share in every key audience demographic, driven by My Kitchen Rules, House Rules, The X Factor and key live sports events.

Their success with the AFL along with coverage of big events including The Australian Open and The Melbourne Cup confirms the importance of major sports in defining Seven's development as a media and communications company. This strategy underpins the signing of an historic, long-term agreement for an all-encompassing coverage of the Olympic Games over the coming decade. Seven continues to lead the market in television advertising revenue share, building share in a tough and competitive advertising market and delivering a record revenue market share of 40.5 per cent in 2014.

Newspapers

The West Australian maintained its position as one of the strongest performing newspapers in the country, and continues to deliver world class operating margins despite challenging market conditions. While declines in print advertising continue, The West continues to outperform its peers both in terms of circulation and advertising.

Cost management has been a key focus with total costs down 7.9 per cent in the year, although this has not compromised the quality of the product. Management continues to drive greater operating efficiencies across the business. The integration with Channel 7 Perth continues with the completion of the studio complex and the formation of the single newsroom for both television and newspapers. The new multi-media editorial platform is also on track and is also scheduled for completion in late 2014. In a future world of digital news, with an emphasis on video, these two projects are fundamental to our future.

Magazines

Pacific Magazines, is acknowledged as publishing Australia's most powerful portfolio of magazines, occupying the largest per title share of all major publishers and reflects the continuing investment in our cornerstone brands and building on our highly successful partnerships with internationally regarded publishing companies including Groupe marie claire, Time Inc, Meredith and Rodale. Pacific Magazines out-performed the overall magazine market, increasing overall annual gross readership by 2.4 per cent in the twelve months to June 2014, with their titles now accounting for over 32 per cent of the readership market.

Yahoo7

Yahoo7 has continued its strong growth in audience with 9.1 million Australians visiting the site each month, an increase of 19.5 per cent. User engagement continues to grow with more than 7.4 billion page views and video downloads growing at 26 per cent year on year as the PLUS7 catch up service leverages the success of Seven's primetime programming.

Other Investments

Review of Businesses

SGH CONTINUES TO CREATE SHAREHOLDER VALUE BY PROFITABLY REALISING HISTORICAL ASSETS PROVIDING THE GROUP WITH THE CAPACITY TO INVEST IN NEW OPERATING ASSETS SUCH AS ENERGY.

Kings Square, Development – Perth, Western Australia

Other investments ($m)	30 June 2014	30 June 2013	Change %
Revenue	–	5.8	–
Other income	42.0	38.9	8
Share of results from equity accounted investees	4.1	–	–
Total revenue and other income	**46.1**	**44.7**	**3**
Expenses (excluding interest and corporate)	(2.7)	(6.9)	(61)
Segment EBITDA	**43.4**	**37.8**	**15**
Depreciation and amortisation	(0.5)	(0.5)	–
Segment EBIT	**42.9**	**37.3**	**15**

Don Voelte AO
Managing Director & Chief Executive Officer
Seven Group Holdings
Age: 61

Don has 39 years of global experience in oil and gas. Prior to SGH and SWM he was MD and CEO of Woodside for 7 years having previously held Senior positions at Mobil, Atlantic Richfield and Chroma Energy. Mr Voelte was a member of the Society of Petroleum Engineers, the American Society of Civil Engineers, the Chi Epsilon Honor Society, and is a Foreign Fellow to ATSE and a Fellow of the AICD. He is a trustee of the University of Nebraska Foundation and was awarded the University of Nebraska Engineering Alumni of Year in 2002, from where he holds a Civil Engineering degree. In 2012, Don was appointed an honorary officer (AO) within the general division of the Order of Australia.

Other Investments

Other investments comprise the Group's listed investment portfolio and direct and indirect property holdings.

The listed investment portfolio is an important source of additional liquidity and store of value for the Group, invested in high yielding listed securities across a number of sectors providing a tax effective income stream.

Direct property holdings of the Group include the Kings Square site (consisting of seven separate developments, three of which were divested in the prior year with the remaining four currently in progress) and Seven Network's Dianella studio, both located in Perth. Given the small value of the Group's direct property holdings ($35.3 million or less than one per cent of Group total assets) SGH looks to partner with proven and established players in the property sector in order to both leverage from their expertise and mitigate development risk. Indirect property holdings of the Group relate to its 46.8 per cent interest in Flagship and other unlisted property trusts that are accounted for using the equity method.

Financial performance

Other investments underlying segment EBIT of $42.9 million was up $5.6 million on the prior year, driven primarily through increased yield on the Group's listed investment portfolio and the share of profit from Flagship for the year.

Significant items excluded from the above underlying segment EBIT for the year included $40.3 million gain on sale of investments, $1.9 million mark-to-market movements on derivative positions, $2.9 million share of Flagship's gain on the sale Australian Technology Park in Redfern, New South Wales and a $4.0 million guarantee fee also received from Flagship, demonstrating the Group's ability to realise value from its property investments.

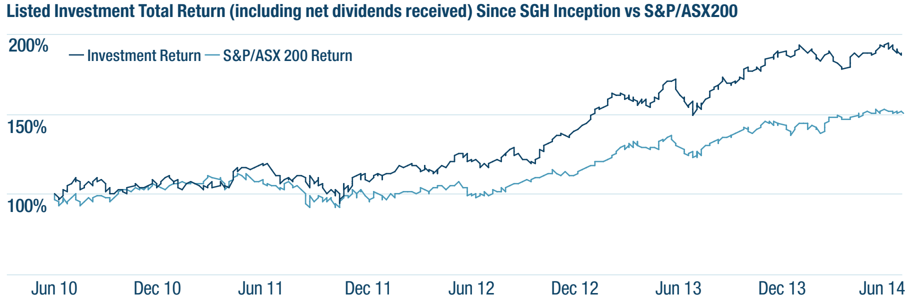
At 30 June 2014, unrealised gains of $217.3 million relating to the investment portfolio are currently recognised in equity and only released to the income statement on disposal as securities within the listed investment portfolio are designated as available-for-sale financial assets.

Strategy, future opportunities & outlook

The Group seeks to grow the value of its investment portfolio through the acquisition of selective opportunities that are a strategic fit and complementary to SGH's existing businesses and areas of expertise.

Construction on stages one to four of the Kings Square development continues with completion due in early 2015. Development proposals of the remaining three stages of Kings Square and the Dianella site are currently in progress with consideration made to maximising return with an appropriate level of development risk.

Listed Investment Total Return (including net dividends received) Since SGH Inception vs S&P/ASX200



Energy

Review of Businesses

A GROWTH SECTOR WHERE AUSTRALIA HAS COMPARATIVE ADVANTAGE DUE TO SIGNIFICANT RESOURCES COUPLED WITH PROXIMITY TO THE HIGH DEMAND MARKETS OF ASIA.

On 31 March 2014, SGH announced that it had entered into a merger implementation agreement to acquire all the outstanding equity of Nexus via a scheme of arrangement, an ASX-listed oil and gas exploration, development and production company.

Despite an independent expert concluding that the SGH offer to Nexus shareholders of $0.02 per share in cash was fair and reasonable and therefore in the best interests of shareholders, the scheme unfortunately was voted down by Nexus shareholders on 12 June 2014, with McGrathNicol appointed as administrators by directors of Nexus on the same day.

At 30 June 2014, the Group's oil and gas assets include $129.2 million in debt securities issued by Nexus and a 11.2 per cent working interest in the Bivins Ranch basin in Texas, USA.

While the Group's entry into the oil and gas sector is still in its infancy, with oil and gas assets representing only 4 per cent of total assets, SGH believes that the market fundamentals underpinning the sector are conducive to generating returns in excess of the Group's cost of capital and drive future shareholder value.

Risk Factors Associated with SGH

The business activities of SGH are subject to various risks and there are many factors which may impact on the future performance and position of SGH. These risks are both specific to SGH and also relate to general commercial and economic risks. These risks may, either individually or in combination, affect the future operating and financial performance of SGH and the value of SGH shares.

Risk Management

The Company recognises that the management of business and economic 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.

The Company maintains a Strategic Risk Assessment that identifies, assesses, ranks and updates the main strategic risks, including material business risks, facing the Company in respect of which management formulates and records the internal risk controls implemented for those risks.

Each of the material business risks highlighted below is monitored and managed by appropriate senior management within SGH who are delegated responsibility to manage or escalate issues to the SGH executive. Where appropriate, external advisers are appointed to assist in managing the risk.

The material business risks are summarised below but should not be regarded as an exhaustive list of all risks that affect the business, furthermore the items have not been prioritised.

Material Business Risk

1. Investment risk

Investment opportunities

The financial performance of SGH and the returns available to SGH shareholders will be affected by the recognition and availability of suitable investment opportunities in the future. Investment opportunities are subject to market conditions and other factors largely outside of the control of SGH. SGH's ability to divest its investments will also be subject to these factors.

Minority investment risk

SGH holds minority interests in a number of listed companies including SWM. Where SGH holds an investment and is limited in its ability to exert control over the investee entity, it may become subject to the operational control of other parties and the financial performance this may entail. Additionally, SGH will be exposed to the risks inherent in minority shareholdings and may not be able to achieve an easy or profitable exit from its investments. This could lead to a reduction in the financial performance of SGH. Listed equity markets fluctuate with time, which leads to the risk that the value of SGH's significant listed investment portfolio will also fluctuate.

Investment portfolio

SGH has investments in a number of ASX listed, and unlisted, companies that it does not control. There is price, liquidity, and other risks associated with any investment in such companies, including the risk that distributions paid to security holders will be reduced, adversely impacting on the yield of the broader portfolio. The price of shares in SGH's portfolio may rise or fall due to numerous factors which may affect the market performance of SGH. These include changes in Australian and international stock markets and investor sentiment, domestic and world economic conditions and outlook, inflation rates, interest rates, employment, taxation and changes to government policy, legislation or regulation.

Coates Hire joint venture risk

SGH is exposed to risks associated its investment in Coates Hire. Carlyle and SGH each hold a ~45 per cent economic interest in Coates. Under the co-investment arrangements with Carlyle, SGH (via its wholly owned subsidiary National Hire Group Limited) or Carlyle may seek to sell their investment in Coates in the future.

There is therefore a risk that SGH's interest in Coates Hire will increase or decrease and that this increase or decrease will not be within SGH's absolute control. There is a risk that the transaction by which SGH's investment decreases or increases does not realise or attribute the same value as SGH attributes to that investment.

2. Financial risks

Interest rate, liquidity and bank default risk

SGH has substantial cash reserves on deposit with a number of major financial institutions. These reserves are invested in both cash call and term deposit accounts. Cash call accounts are immediately available to SGH but offer lower yields. Conversely, term deposits lock up SGH's cash reserves for a specified period of time but earn higher yields. The use of term deposits exposes SGH to liquidity risk as SGH may be unable to access its cash reserves to fund an immediately available investment opportunity if the reserves are invested for a specified period of time. SGH manages the proportion of its cash reserves held in each type of account, seeking to maximise the return on its cash and cash equivalents. The rate of return available to SGH is largely outside of its control and is a function of both the Reserve Bank of Australia's overnight cash rate and the spreads offered by deposit taking institutions. SGH is exposed to risk that the interest rates offered for both cash call and term deposit accounts could materially fluctuate which may affect the financial and operating performance of the company. Additionally, SGH is exposed to the risk of default by one or all of the deposit-taking institutions with which SGH banks.

Risk Factors Associated with SGH (continued)

Foreign exchange

WesTrac Group is exposed to foreign exchange risk with the purchase of equipment and inventory which is denominated in USD and also from the derivation of revenues from WesTrac Group China which is denominated in Renminbi and USD. As part of its pricing of equipment globally, Caterpillar generally resets pricing annually for heavy equipment which is denominated in USD. Movements in the pricing of equipment impacts WesTrac Group's cost of machines and may also affect the overall profit earned on the sale of equipment to customers which is denominated in either AUD, USD or both. Fluctuations in the AUD/USD, AUD/Renminbi and AUD/HKD exchange rates could have an adverse impact on WesTrac Group's business, financial condition and results of operations which are reported in Australian dollars. The Group's investments WesTrac China, Agricultural Bank of China and US oil and gas assets have not been hedged given the indeterminable duration of the investment horizon.

WesTrac Group has a large diversified customer base and is not dependent on any single customer or group of customers

WesTrac Group's customers may default due to bankruptcy or other reasons. A customer's termination of, or default under, a contract with WesTrac Group, could result in a loss of expected revenues from the sale or rental of equipment and the provision of parts and maintenance, and additional expenses for WesTrac Group. Accordingly, the termination of, or default under, a contract by any of WesTrac Group's customers could have an adverse effect on WesTrac Group's business, financial condition and results of operations.

Tax risk

The Company and its wholly owned subsidiaries 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 Company and its wholly owned subsidiaries, which could lead to additional tax liabilities. SGH proactively manages this risk through the use of taxation advisors and working closely with taxation authorities.

3. Operational risks

Dependence on Caterpillar

WesTrac Group is dependent on Caterpillar to maintain its authorisation as the authorised dealer of Caterpillar equipment and parts in its Western Australia, New South Wales/ACT and North Eastern China Service Territories. WesTrac Group's predecessor companies have been associated with Caterpillar since 1925 and WesTrac's association with Caterpillar has been since 1990. WesTrac Group has maintained a strong relationship with Caterpillar and although WesTrac Group expects this relationship to continue, as is customary in dealer agreements with Caterpillar, the dealer agreements with Caterpillar can be terminated by either party upon 90 days' notice at any time. The dealer agreements also contain provisions for automatic or accelerated termination in certain circumstances, such as material breach, insolvency events, and changes in control without Caterpillar consent, and are not exclusive. The Caterpillar dealer agreements are not, however, subject to periodic renewal requirements and are perpetual in nature (subject to the termination right noted above). In the event Caterpillar terminates or appoints another dealer or deals directly in the territories in which WesTrac Group operates, it would have a material adverse effect on WesTrac Group's business, financial condition and results of operations. WesTrac 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 Group. This has not in the past proven to be an impediment to WesTrac. In the event that Caterpillar is unable to supply its products in the quantities and timeframes required by WesTrac Group's customers, it may have a material adverse effect on WesTrac Group's business, financial condition and results of operations. WesTrac is also dependent on Caterpillar to maintain product development and innovation to ensure that it has a quality product offering for its customers.

Decline in demand from mining or construction industries. WesTrac Group's customer base consists primarily of companies in the mining and civil construction industries. Demand for WesTrac Group's 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.

If these are negatively impacted, WesTrac Group's business, financial condition and results of operations could be materially adversely affected.

Increased competition from other equipment suppliers

WesTrac Group operates in a competitive environment in each of its business sectors. Many of its competitors are well established companies. WesTrac Group's range and quality of products and services, its ability to meet sophisticated customer requirements and its extensive dealer network enhance its competitive position. However, during periods of low demand, price competition can increase and this may have a material adverse effect on WesTrac's business, financial condition and results of operations.

Customer contracts

WesTrac's alliance agreements for equipment supply exist with select customers only. However, where they exist they are underpinned by global customer alliances with Caterpillar. The routine supply agreements which make up the majority of WesTrac Group's customer contracts relate to specific pieces of equipment and are therefore short to medium term in nature. The maintenance and repair agreements are medium to long term in duration but, whilst material in value, are fewer in number. As there are very few contracts tying customers to WesTrac for terms in excess of five years, although viewed as unlikely, an event such as a strong competitor entering the market or Caterpillar authorising another dealer in the service territories in which WesTrac Group operates, WesTrac Group's territories service business, financial condition and results of operations could be materially adversely affected.

Variation in pricing

Generally, Caterpillar resets pricing annually for equipment and reviews its parts pricing twice a year, with any Caterpillar parts pricing changes implemented in January and July. Usually, at least two months' notice is given of equipment pricing changes. WesTrac may have committed to sell equipment to a customer at a certain price when the new Caterpillar prices are issued. WesTrac manages this risk through flexibility in the terms and conditions of sale and Caterpillar usually offers price protection policies to mitigate this risk.

Safety and environment

The health and safety of the Group's staff is the Group's first priority and SGH has improved its health and safety performance in recent years. SGH will seek to improve its health and safety performance targeting a goal of zero work-related injuries and environmental incidents.

The Group's activities can result in harm to people and the environment. SGH has sought to mitigate this risk by assessing, understanding and mitigating the critical risks facing its various businesses and implementing "Life Saving Rules" which provide direction and guidance on these critical risks.

SGH has various risk management policies and procedures in place to enable the identification, assessment and mitigation of risks that arise through its activities. These include tender, project, interest rate, foreign exchange and credit risks. For further information in relation to SGH's risk management framework, refer to page 10 of the Corporate Governance Statement in the Annual Report.

Volatility in oil and gas prices

The Energy business being developed will rely on the production and sale of oil and gas products (including LNG) to a variety of buyers under a range of short-term and long-term contracts some of which are expected to be oil-linked. A downward movement in oil prices could have a significant effect on the SGH's performance and future prospects. Crude oil prices are affected by numerous factors beyond SGH's control and have fluctuated widely historically. SGH has the option of entering into commodity crude oil price swap and option contracts to manage its oil price risk, and continually monitors oil price volatility to assess the need for commodity price hedging. During 2014 due to the infancy of these operations, and at the time of publishing this report, SGH did not have any hedging positions in place.

Project development risk

SGH proposes to invest significant amount of capital in the assets of Nexus (Longtom and Crux) projects. These and other projects may be delayed or be unsuccessful for many reasons, including unanticipated economic, financial, operational, engineering, technical, environmental, contractual or political events. Delays, changes in scope, cost increases or poor performance outcomes pose risks that may impact SGH's financial performance. For example, SGH's ambition to grow production may not be achieved if any of the projects currently under consideration are not delivered successfully or any of the yet to be sanctioned projects are not sanctioned for development. SGH has project and risk management and reporting systems in place and the progress and performance of material projects will regularly reviewed by senior management and the Board.

Oil and gas reserves

Estimations of recoverable oil and gas reserves and resources contain significant uncertainties, which are inherent in the reservoir geology, seismic and well data available and other factors such as project development and operating costs, together with commodity prices. SGH will adopt a reserves management system that is consistent with the Society of Petroleum Engineers standards.

Exploration risk

SGH's future long-term prospects are also directly related to the success of efforts to replace existing oil and gas reserves as they are depleted through production. Exploration is a high risk endeavour subject to geological and technological uncertainties and the failure to replace utilised reserves with additional proved reserves is a risk inherent in the oil and gas exploration and production industry.

Environmental and safety risks and social licence to operate

A range of health, safety and environmental risks exists with oil and gas exploration and production activities. Accidents, environmental incidents and real or perceived threats to the environment or the amenity of local communities could result in a loss of the Company's social licence to operate, leading to delays, disruption or the shutdown of exploration and production activities. Nexus and Apache have a comprehensive environmental, health and safety management system to mitigate the risk of incidents.

Joint venture arrangements

SGH's business is carried out through joint ventures. The use of joint ventures is common in the exploration and production industry and serves to mitigate the risk and associated cost of exploration, production and operational failure. However, failure of agreement or alignment with joint venture partners or the failure of third party joint venture operators could have a material effect on SGH's business. The failure of joint venture partners to meet their commitments and share costs and liabilities can result in increased costs to SGH. SGH will work closely with its joint venture partners in order to reduce the risk of misalignment in joint venture activities.

www.sevengroup.com.au

Company information

List of Directors
Kerry Stokes AC
(Executive Chairman)

Peter Ritchie AO
(Deputy Chairman)

Don Voelte AO
(Managing Director
& Chief Executive Officer)

David Leckie
(Executive Director, Media)
(Resigned 22 August 2014)

Dulcie Boling

Terry Davis

Christopher Mackay

Bruce McWilliam
(Commercial Director)

Ryan Stokes
(Chief Operating Officer)

Richard Uechtritz

Prof. Murray Wells

Company Secretary
Warren Coatsworth

Registered Office
Company Secretariat
Level 2
38 – 42 Pirrama Road
Pyrmont NSW 2009

Share Registry
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Auditor
KPMG
10 Shelley Street
Sydney NSW 2000

Legal advisors
Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Clayton Utz
Level 15
1 Bligh Street
Sydney NSW 2000

SGH
Industrial Services, Media and Investments

Seven Group Holdings Limited
ABN 46 142 003 469
Annual Report 2014

Delivering shareholder value through disciplined capital management, continued investment in key infrastructure, media content and energy assets.

SGH
Industrial Services, Media and Investments


CAT


Marshall

Contents

Board of Directors

Year ended 30 June 2014

Kerry Matthew Stokes AC

Executive Chairman of Seven Group Holdings Limited since 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 and property 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.

Peter David Ritchie AO

Deputy Chairman of Seven Group Holdings Limited since April 2010.

Deputy Chairman of Seven Network Limited since August 1991.

Chairman of the Remuneration & Nomination Committee, Member of the Audit & Risk Committee, Member of the Independent & Related Party Committee.

Former Chairman of McDonalds Australia Limited and former Director of Westpac Banking Corporation, Solution 6 Holdings Limited and the University of New South Wales Foundation Limited.

Current Chairman of Mortgage Choice Limited and a Director since 5 April 2004.

Current Chairman of Reverse Corporation Limited and a Director since 1 October 2002.

Bachelor of Commerce (University of New South Wales).

Fellow of CPA Australia.

Officer in the General Division of the Order of Australia.

Honorary Doctor of Business (University of New South Wales).

Donald Rudolph Voelte AO

Mr Voelte was appointed Managing Director & Chief Executive Officer of Seven Group Holdings Limited with effect from 1 July 2013. He is also Chairman of Coates Group Holdings Pty Limited and was Chairman of Nexus Energy Limited until 18 February 2014.

Mr Voelte was appointed Deputy Chairman of Seven West Media Limited with effect from 1 July 2013.

Mr Voelte held the position of Managing Director & Chief Executive Officer of Seven West Media Limited from 26 June 2012 to 30 June 2013. Mr Voelte has been a director of Seven West Media Limited, and prior to the formation of Seven West Media Limited, West Australian Newspapers Holdings Limited since December 2008.

Mr Voelte has significant experience in the global oil and gas industry and, prior to his retirement in June 2011, was the Managing Director & Chief Executive Officer of Woodside Petroleum Limited, a position he had held since joining the company in 2004.

Prior to joining Woodside Petroleum Limited, Mr Voelte held a number of Senior Executive positions in the oil and gas sector. Mr Voelte was a member of the Board of the University of Western Australia Business School during his Woodside tenure, and is a member of the Society of Petroleum Engineers, the American Society of Civil Engineers, the Chi Epsilon Honor Society, a Foreign Fellow to ATSE (FTSE) and a Fellow of the Australian Institute of Company Directors (AICD). He is a trustee of the University of Nebraska Foundation and was awarded the University of Nebraska Engineering Alumni of Year in 2002. The University of Nebraska recently named their Nanotechnology & Metrology Research Centre for Mr Voelte and his wife Nancy. He has a degree in Civil Engineering, from the University of Nebraska.

Mr Voelte was awarded the Officer of the Order of Australia (AO) in 2012, for service to the Australian LNG industry and contribution to education and the arts in Perth.

Mr Voelte was appointed to the Board on 1 July 2013.

Board of Directors

Year ended 30 June 2014

Elizabeth Dulcie Boling

Director of Seven Group Holdings Limited since April 2010.

Director of Seven Network Limited since August 1993.

Member of the Remuneration & Nomination Committee, Member of the Independent & Related Party Committee.

Former Chair and Chief Executive of Southdown Press; former Chief Executive Magazines, PMP Limited; former Director of News Limited, ING Australia Limited and Tourism Victoria.

Former Member of the board of the Australian Cancer Research Foundation, the Mental Health Research Institute of Victoria and former Trustee of the National Gallery of Victoria.

Terry James Davis

Director of Seven Group Holdings Limited since 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.

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 since 2006.

Christopher John Mackay

Director of Seven Group Holdings Limited since June 2010.

Managing Director of Magellan Flagship Fund Limited since 1 October 2013.

Former Chairman of Magellan Financial Group Limited, resigned 30 September 2013, now advisor to the Board.

Member of the Audit & Risk Committee, Member 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 member of the Federal Treasurer's Financial Sector Advisory Council and a former member of the Business Council of Australia and director of the International Banks & Securities Association.

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

A director of Magellan Financial Group Limited from 21 November 2006 to 30 September 2013 and a director of Magellan Flagship Fund Limited since 29 September 2006.

Bruce Ian McWilliam

Director of Seven Group Holdings Limited since April 2010.

Director of Seven Network Limited since September 2003.

Appointed Commercial Director for Seven Network Limited in May 2003.

Director of Seven Media Group Pty Limited since December 2006.

Former partner of law firms Gilbert & Tobin, Turnbull McWilliam and Allen Allen & Hemsley specialising in media and commercial law. Former Director BSkyB, Executive Director News International Television and General Counsel, News International plc.

Director of Australian News Channel Pty Limited.

Alternate Director of Seven West Media Limited since 4 November 2008.

Honorary Fellow of the University of Sydney.

Chairman, Sydney University Law School Advisory Committee.

Council Member, St Pauls College, University of Sydney.

Honorary Governor – The Thalidomide Foundation Limited.

Ryan Kerry Stokes

Mr Ryan Stokes is Chief Executive Officer of Australian Capital Equity Pty Limited (ACE) and Chief Operating Officer of Seven Group Holdings Limited. Mr Stokes was appointed an Executive Director of ACE in 2001 and CEO in April 2010. ACE is a private company with its primary investment being an interest in Seven Group Holdings (SGH). He has been an Executive Director of Seven Group Holdings Limited since February 2010, and was appointed Chief Operating Officer in 2012.

Mr Stokes is also a Director of Iron Ore Holdings Limited (IOH) and WesTrac Pty Limited and has extensive experience in China, having developed relationships with various mining and media companies over the past 13 years. Mr Stokes is a Director of Seven West Media which owns the Seven Network, The West Australian Newspaper, Pacific Magazines and 50% of Yahoo7. Mr Stokes has been a Director of Seven Network Limited since 2005. Executive Director then Chairman of Pacific Magazines from 2004 until 2008 and previously a Director of Yahoo7 from inception in 2005 until 2013.

Between 10 September 2009 and 19 November 2012, Mr Stokes was a Director of Consolidated Media Holdings Limited.

Board of Directors

Year ended 30 June 2014

Mr Stokes is Chairman of the National Library of Australia, a position he has held since July 2012 and is a Director of the Australian Strategic Policy Institute. Mr Stokes is also a member of the Prime Ministerial Advisory Council on Veterans Mental Health established in 2014.

Mr Stokes is the former Chairman of Australia's National Youth Mental Health Foundation (Headspace), a Federal Government initiative established in 2006. Mr Stokes was also a former member of the International Olympic Committee's Radio and Television Commission.

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

Richard Anders Uechtritz

Director of Seven Group Holdings Limited since June 2010.

Member of the Remuneration & Nomination Committee, 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.

Professor Murray Charles Wells

Director of Seven Group Holdings Limited since April 2010.

Director of Seven Network Limited since July 1995.

Chairman of the Audit & Risk Committee, Member of the Independent & Related Party Committee. PhD, University of Sydney. M.Com, University of Canterbury. Fellow of CPA Australia, Fellow of the Academy of Social Sciences in Australia. Chairman, Kaplan Higher Education Pty Limited. Deputy Chairman, Australian Scholarships Foundation.

Emeritus Professor of Accounting, former Dean of Economics, and Director of the Graduate School of Business and the Foundation of the Graduate School of Business at the University of Sydney. Former Chairman and Director of Australian National Business School Limited.

Life Member, American Accounting Association; inducted into the Australian Accounting Hall of Fame, 2012. Life Fellow, Australia and New Zealand Academy of Management, 2000.

COMPANY SECRETARY

Warren Walter Coatsworth

Company Secretary of Seven Group Holdings Limited since April 2010.

Company Secretary of Seven West Media Limited since April 2013.

Company Secretary of Seven Network Limited since July 2005.

Mr Coatsworth is a solicitor holding a current practising certificate with degrees in Arts and Law (Hons) from the University of Sydney. He has been Legal Counsel with Seven Network Limited for the past fourteen years, advising broadly across the company, and formerly a solicitor at Clayton Utz. He has completed a Graduate Diploma in Applied Corporate Governance and is a qualified Chartered Company Secretary and a Fellow and member of the Governance Institute of Australia (formerly Chartered Secretaries Australia).

Corporate Governance Statement

Year ended 30 June 2014

This statement outlines the Company's main corporate governance practices and its compliance with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations 2nd Edition (ASX Recommendations). The Company is currently reviewing its corporate governance practices in light of the recent release of the 3rd Edition of the ASX Recommendations and will, as required, report on its compliance with the updated ASX Recommendations in next year's Annual Report.

Various of the corporate governance policies referred to in this statement are available on the Company's website at www.sevengroup.com.au/about-us/corporate-governance. Those policies which are not separately available on the Company's website are summarised in this statement. A copy of this statement (including the summaries of the various policies) will be made available on the Company's website.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board responsibilities

The Board is empowered to manage the business of the Company subject to the 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, posted on the Company's website, which 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;
- contributing to and approving management's development of corporate strategy and performance objectives and monitoring management's performance and implementation of strategy and policies;
- reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance; and
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting.

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

- appointment and removal of the Group Chief Executive Officer;
- approval of dividends;
- approval of annual budget;
- monitoring capital management and approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management; and
- calling of meetings of shareholders.

Delegation to management

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

Management is responsible for implementing the policies and strategic objectives approved by the Board. Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.

The Company has adopted a Delegated Authority Policy delegating to management 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, as disclosed herein and set out in the Board Charter, are subject to ongoing review to ensure that the division of functions remains appropriate.

In addition, during the year, management conducted a review and evaluation of the Group's Financial Governance Policies and the Board's delegations to Management, to ensure the Group's governance and management processes remain appropriate for the Group. As a consequence of the review, updated Financial Governance Policies and a revised Delegated Authority Policy was considered and approved by the Board to enhance the Company's operating and management procedures through its promulgation to the Group's controlled entities.

Senior management team

The management of the Company during the financial year comprised the Group Chief Executive Officer, Chief Operating Officer, Chief Financial Officer as well as several Group Executives who together provide expertise in Finance, Mining, Systems and Processes, and Security and Compliance. In addition, several Seven West Media Limited executives provided management services to the Company in relation to which a portion of their salary cost was charged to the Company for the services provided.

Mr Don Voelte AO became the Managing Director & Chief Executive Officer of the Company on 1 July 2013, the date of Mr Voelte's appointment as a Director. Prior to his appointment, Mr Voelte held the position of Managing Director & Chief Executive Officer of Seven West Media Limited from 26 June 2012 to 30 June 2013. The Board considers it appropriate that Mr Voelte be charged with the responsibility for overseeing and supervising the Company's investments in accordance with the Board's strategies as well as managing the Company's small executive team.

Corporate Governance Statement

Year ended 30 June 2014

Until his retirement on 23 August 2013, the Chief Executive Officer, WesTrac Group, was Mr James Walker. Following a recruitment process, on 10 March 2014, Mr Jarvas Croome was appointed as Chief Executive, WesTrac WA & Chief Executive Officer WesTrac.

The Chief Operating Officer of the Company is Mr Ryan Stokes. Mr Stokes works closely with the Group Chief Executive Officer and reports to the Board on the performance, management and operations of the Group as well as matters relating to process, governance and optimisation of the businesses of the Group.

The Chief Financial Officer of the Company is Mr Richard Richards. Mr Richards works closely with the Group Chief Executive Officer and Chief Operating Officer and reports to the Board on the financial performance and position of the Group and its businesses as well as matters relating to Group's financial governance, controls and processes.

Assessment of management performance

The performance of the Group Chief Executive Officer 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 Group Chief Executive Officer's performance-linked remuneration. The Remuneration Report sets out further details of the performance criteria against which the Group Chief Executive Officer's performance-linked remuneration is assessed.

The performance of senior executives of the Company is reviewed on an annual basis in a formal and documented interview process with either the Group Chief Executive Officer or the particular executive's immediate superior, which 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 senior executives has taken place during the year in accordance with this process.

For further information about performance management of senior executives and staff, please see the discussion set out under "Principle 8 – Remunerate Fairly and Responsibly".

For those executives of subsidiaries, performance assessments are undertaken by the Chairman and the respective Board for a Chief Executive Officer and by the Chief Executive Officer for other senior executives.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Board composition and independence

As at the date of this statement, the Board comprises ten (10) Directors as follows.

The Non-Independent Directors in office are:

- Mr Kerry Stokes AC — Executive Chairman
- Mr Donald Voelte AO — Managing Director & Chief Executive Officer
- Mr Bruce McWilliam — Commercial Director
- Mr Ryan Stokes — Chief Operating Officer

The Independent Directors in office are:

- Mr Peter Ritchie AO — Deputy Chairman & Lead Independent Director
- Mrs Dulcie Boling — Director
- Mr Terry Davis — Director
- Mr Christopher Mackay — Director
- Mr Richard Uechtritz — Director
- Professor Murray Wells — Director

The skills, experience, expertise and period in office of each Director of the Company at the date of this Annual Report are disclosed in the Board of Directors section of this Annual Report.

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, a substantial shareholder of the Company;
- is employed, 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 or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- 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; 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 a Director-related entity. 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 5%, then a relationship will be considered material.

Corporate Governance Statement

Year ended 30 June 2014

In the Board's view, the Independent Directors on page 6 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. In terms of longevity of time in office, the Board does not consider that independence can be assessed with reference to an arbitrary and set period of time. The Company has diverse operations that have grown considerably over time and in the Board's view derives the benefits from having long-serving Directors with detailed knowledge of the history and experience of the Group's operations.

The Board currently comprises a majority of Independent Directors, with four Non-Independent Directors and six Independent Directors. From 23 August 2013, when Mr James Walker resigned as a Director until 22 August 2014 when Mr David Leckie resigned as a Director, the Board comprised five Non-Independent Directors and six Independent Directors. Prior to 23 August 2013 the Board comprised six Non-Independent Directors and six Independent Directors. The Board acknowledges the ASX Recommendation that a majority of the Board should be Independent Directors. However the Directors believe that, despite the Board not comprising a majority of Independent Directors during the period prior to 23 August 2013, they were able to objectively analyse the issues before them in the best interests of all shareholders and in accordance with their duties as Directors. The Board continues to review its composition to ensure it remains appropriate for the operations and investments of the Company.

The Independent Directors (identified above) 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 management or 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 management or Non-Independent Directors present.

Mr Kerry Stokes AC is Executive Chairman of the Board of the Company. The Board acknowledges the ASX Recommendation that the Chairman be an Independent Director, however the Board views as an advantage the Chairman's 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, as well as Mr Stokes' grasp of new technologies driving television production and transmission, not to mention his clear incentive to maximise the interests of the Group. Mr Stokes 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, mining, oil and gas exploration. His experience and insights are invaluable to the Group.

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 and diversity, including a deep understanding in the areas of corporate management, operational, safety and financial matters in the media, industrial services and investments industries in which the Group operates. Directors devote significant time and resources to the discharge of their duties.

The Board has established a Remuneration & Nomination Committee, further details of which are set out in this Corporate Governance Statement under the heading 'Principle 8 – Remunerate fairly and responsibly'. The Remuneration & Nomination Charter is available on the Company's website.

Board appointments

The process and policy for appointing new Directors to the Board is that when the Board considers a vacancy exists for a Board appointment the Board may require the Remuneration & Nomination Committee to assist and advise the Board in relation to any of:

- the identification of individuals who are qualified to become Board members;
- the review of potential candidates for Board appointment having regard to the skills, experience, expertise and personal qualities that will best complement the Board effectiveness;
- the capability of the candidate to devote the necessary time or commitment to the role; and
- the diversity of members of the Board.

Again, in considering any new Board appointments, the Board is seeking to achieve an appropriate mix of skills and diversity, including a deep understanding in the areas of corporate management, operational, safety and financial matters and the media, industrial services and investments industries in which the Group operates. The most suitable candidate is appointed by the Board, which retains the power to nominate and appoint Directors to the Board to fill casual vacancies. Directors appointed as casual vacancies hold office until the next Annual General Meeting and are then eligible for election.

Under the Constitution of the Company and subject to the ASX Listing Rules, a Director must retire from office, and will be eligible for re-election, no later than the longer of the third Annual General Meeting of the Company or three years following that Director's last election or appointment. The Managing Director or an Alternate Director is not taken into account in determining the number of Directors to retire at an Annual General Meeting. The Notice of Meeting for the Annual General Meeting discloses other key current directorships of Director candidates, as well as other appropriate biographical details and qualifications.

Corporate Governance Statement

Year ended 30 June 2014

Board appointees are inducted through a briefing with the Executive Chairman, discussions of the Company's corporate governance (including its policies and procedures) with the Company Secretary, visits to key business sites and meetings with Company Executives.

The appointment of Mr Don Voelte AO to the Board on 1 July 2013 was considered and approved by the full Board. In making the appointment, the Board considered Mr Voelte's significant experience and expertise as a Chief Executive Officer of publicly listed companies, including his long-term tenure working in the global oil and gas industry as Chief Executive Officer of Woodside Petroleum Limited, as well Mr Voelte's contribution to Seven West Media Limited as its Chief Executive Officer, including with regard to reviewing its cost structures and strategic direction and developing its senior executive team. The Board believes that Mr Voelte's understanding of both industrial services and media businesses is relevant to and appropriate for the operations and investments of 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.

In addition to an induction process for new Director appointments, Directors variously 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 Company Secretary is charged by the Board to support the Board's effectiveness by monitoring that Company policies and procedures are followed, and coordinating the timely distribution of Board and Committee agendas and briefing materials.

The Company Secretary's appointment and removal is a matter for the Board. The Company Secretary is accountable to the Board through the Chairman on corporate governance matters. Each of the Directors has access to the Company Secretary.

Performance evaluation

The Executive Chairman closely monitors the performance and actions of the Board and its Committees and meets with individual Board members during a financial year to ensure that the Board and its Committees operate effectively and efficiently. The Executive 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 taken into account include the expertise and responsibilities of the Board member and their contribution to the Board and any relevant Committees and their functions. During a financial year the Chairs of the respective Committees also monitor and evaluate the performance of the Committee – according to the function and objectives of the Committee, its program of work, and the contributions of its members – and discuss the Committee's performance with the Executive Chairman and its members. For the purposes of his own performance evaluation, the Chairman meets with the non-executive Deputy Chairman and a senior independent Director.

During the reporting period, performance evaluations of the Board, its Committees and individual directors were carried out in accordance with this process.

The Directors' Report at page 15 sets out the number of Committee and Board meetings under the heading "Directors' Meetings", including meetings of the Audit & Risk Committee, Remuneration & Nomination Committee and Independent & Related Party Committee, as well as the attendance of Directors at those meetings.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Ethical standards

The Board Charter, available on the Company's website, provides that Directors will act at all times with honesty and integrity, will observe the highest standards of ethical behaviour and will not prioritise their personal interests over the Company's interests.

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 & 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.

Formal Employee Conduct Guidelines have been implemented for employees, including senior executives, and Directors, and are available on the Company's website.

The Company has adopted Share Trading Policies for Group Directors and Executives and Staff, which are available on the Company's website.

Corporate Governance Statement

Year ended 30 June 2014

The Company has adopted a formal Issue Escalation Guideline to encourage the reporting and investigation of unethical and unlawful practices and matters of concern which cannot otherwise be adequately dealt with under Company policies. The Guideline, including reporting contacts, is available on the Company's website.

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

Diversity

The Company has an established Diversity Policy which is posted on the Company's website. Under the policy the Company recognises the benefits of an inclusive and respectful workplace culture that draws on the experiences and perspectives of all Directors and employees, having regard to diversity factors, including but not limited to gender, age and cultural background.

As set out in the Diversity Policy, the Board is committed to:

- **flexible work practices** – developing, on a case by case basis, flexible work practices that assist employees to balance work with family, carer or other responsibilities;
- **career development and performance** – ensuring that decisions regarding employment and remuneration are based on merit, ability, performance and potential and are made in a transparent and fair manner; and
- **equal employment opportunities** – upholding the Company's obligations in regard to equal opportunity through training and workplace awareness.

The Board is also committed to regularly establishing, reviewing and assessing achievement of the work practices objectives above in relation to gender diversity. The Board will continue to review the appropriateness of its diversity objectives.

Company progress on diversity objectives in 2014

Flexible work practices

In the Board's view, the Company has achieved the objective of offering flexible working arrangements and setting out clear expectations of behaviours for employees that foster an inclusive and supportive organisational culture. The Company will continue to monitor performance against this objective to ensure expectations are clear and cultural outcomes attained.

Career development and performance

The Company's commitment and progress towards achieving this objective includes establishing processes to determine fair and equitable benchmarked remuneration, commensurate with the employee's experience and performance in the position they hold, regardless of age, gender or cultural background.

Equal employment opportunities

The Company strives to maintain a significant level of female participation throughout the organisation and endeavours to attract female employees at all levels. We are pleased to report an increased intake of women into our apprenticeship programmes, both an area of clear need for the Company and a national occupational category in which women have traditionally been under represented.

Group progress on diversity objectives in 2014

As an entity holding investments in companies operating across a range of industries, the Company supports the diversity initiatives of those companies in which it holds investments.

Our subsidiaries have set individual gender diversity targets consistent with regulatory requirements. The Company has a long-term goal of assisting subsidiaries to understand their role in group-wide female participation and to assist in the development of measurable objectives for achieving gender diversity where appropriate.

The Company undertakes an annual review of its Diversity Policy to assess the effectiveness of the Policy and to incorporate any developments concerning the Company's practices and commitments in regards to workplace diversity.

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

Level	Number of Women	Proportion of Women
Board*	1 of 11	9%
Senior executives**	6 of 68	9%
Whole of organisation	630 of 4517	14%

* From 22 August 2014 when Mr David Leckie resigned as a Director, the proportion of women on the Board has been 10% (one of 10).

** 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 June 2014.

Additionally, the Company has posted its Workplace Gender Equality Act Public Report for 2013–2014 on its website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board has established an Audit & Risk Committee comprising three independent Non-executive Directors: Professor Murray Wells as its Chairman, Mr Peter Ritchie AO and Mr Christopher Mackay. Professor Wells is an Emeritus Professor of Accounting, University of Sydney. Mr Ritchie is a Fellow of CPA Australia. Mr Mackay, a former investment banker and corporate and banking lawyer, has considerable experience in business management, capital allocation, risk management and investment. The Board believes the ASX Recommendations are satisfied as regards the composition and technical expertise of the Audit & Risk Committee members.

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:

Corporate Governance Statement

Year ended 30 June 2014

- the accounting and financial reporting practices of the Company and its subsidiaries;
- the consideration of matters relating to the financial controls and systems of the Company and its subsidiaries;
- the identification and management of 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 Auditors;
- 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
- assessing whether non-audit services provided by the External Auditor are consistent with maintaining the External Auditor's independence.

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 current practice is for the rotation of the appropriate External Audit partner(s) to occur every five years (subject to the requirements of applicable professional standards and regulatory requirements). If a new auditor is to be appointed, the selection process involves a formal tender and evaluation of the tenders by the Audit & Risk Committee. The Chair of the Committee leads the process, in consultation with the Chief Financial Officer.

It is the policy of the Audit & Risk Committee to meet periodically with the External Auditors without management being present.

The Audit & Risk Committee's key responsibilities in respect of its risk function are set out below under "Principle 7 – Recognise and Manage Risk".

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company complies with the disclosure obligations of the ASX Listing Rules.

The Company has adopted and implemented a Continuous Disclosure Policy which sets out the procedure for the identification of material price sensitive information and reporting of such information to the Company Secretary for review. A summary of the Continuous Disclosure Policy is available on the Company's website.

The Company Secretary has been nominated as the person with primary responsibility for communication and liaison with the ASX in relation to ASX Listing Rules and disclosure requirements, including periodic and continuous disclosure issues. The Company Secretary also has responsibility for ensuring internal compliance with those ASX Listing Rules and the oversight of information released to the ASX and shareholders.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

As disclosed in the Board Charter posted on the Company's website, the Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The Company adopts a communications strategy that promotes effective communication with shareholders 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 meetings held by the Company) and notices of General Meetings. Information concerning resolutions for consideration at the Company's General Meetings is provided in the notice of meeting. Shareholders are encouraged to participate in General Meetings and are invited to put questions to the Chairman of the Board in that forum. The Board ensures that 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.

The Company's website provides additional information about the Company. The Board continues to review its channels of communications with shareholders for cost effectiveness and efficiencies, including using electronic delivery systems for shareholder communications where appropriate.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board recognises that the management of business and economic 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. 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. As mentioned above under "Principle 4 – Safeguard Integrity in Financial Reporting", the Audit & Risk Committee comprises Professor Murray Wells as its Chairman, Mr Peter Ritchie AO and Mr Christopher Mackay.

The Board requires management to design and implement a risk management and internal control system to manage the entity'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.

Corporate Governance Statement

Year ended 30 June 2014

In previous years the Company maintained a regular external Strategic Risk Assessment, commissioned by the Audit & Risk Committee and facilitated by an external consultant. The Strategic Risk Assessment identified, assessed, and ranked the main strategic risks, including material business risks, facing the Group in respect of which management continues to formulate and record the internal risk controls implemented for those risks.

During the financial year the Company built upon the Strategic Risk Assessment, by implementing agreed process and systems improvements arising from targeted Internal Audit reviews and reviews conducted by an external audit firm in conjunction with management. Additionally, during the year the Board and Management have focussed on driving enhanced risk assessment and mitigation processes in the areas of physical risk and systems risk through the engagement of Senior Group Executives respectively responsible for Security & Compliance and for Systems & Processes, each reporting to the Chief Executive Officer.

The Group Executive – Security & Compliance has:

- undertaken a rigorous inspection of key operating business sites, reviewing security and emergency arrangements, as well as business continuity planning with respect to these sites; and
- facilitated workshops with management and staff to drive the identification and effective management of physical risk and to promote a strong risk management culture.

The Group Executive – Systems & Processes has:

- conducted a review of technology systems and process controls within the Group's key operating business divisions, participated in peer group technology and systems benchmarking and recommended a systems strategy designed to mitigate risk and provide the optimum business outcomes to the Group; and
- provided expertise and executive oversight in relation to the execution of major group technology tenders and projects to ensure the achievement of project milestones and benefits as well as appropriate management and mitigation of project implement risks.

An enhanced Internal Audit function was also implemented during the financial year, with the engagement of a Head of Internal Audit and Process Improvement, reporting to the Chairman of the Audit & Risk Committee, as well the engagement of an Internal Auditor for WesTrac China. The Internal Audit function is charged with conducting detailed reviews of relevant controls in the areas of accounting, information and business operations and fulfilling a program of work to test controls implemented by management in these areas. The Audit & Risk Committee reviews and approves the Internal Audit function's Internal Audit plan, its resourcing as well as monitors its independence, performance and management's responsiveness to its findings and recommendations. During Committee meetings throughout the year, the Audit & Risk Committee also received risk briefings from external auditors, management, Head of Internal Audit and Process Improvement as well as Group Executive – Security & Compliance concerning the Group's key business operations. The Group's business divisions provide regular reporting on workplace safety practices and management within the Group.

The Audit & Risk Committee also monitors compliance with applicable laws and regulations. As mentioned under "Principle 4 – Safeguard Integrity in Financial Reporting" the Committee has adopted a formal Charter which, in addition to a summary of the Risk Management Policy, is available on the Company's website.

Pursuant to section 295A of the Corporations Act, the Chief Executive Officer and the Chief Financial Officer must confirm in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the financial statements are prepared in accordance with relevant accounting standards, and the financial statements and notes present a true and fair view of the financial position and performance of the consolidated group . These statements also confirm that the declarations provided in accordance with section 295A are founded on a sound system of risk management and internal compliance and control systems which is operating effectively in all material respects in relation to financial reporting risks. The risk assessment framework described above, including the Internal Audit function, is an integral part of the process underlying these statements.

The required statements from the Chief Executive Officer and Chief Financial Officer have been given for the financial year ended 30 June 2014.

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. Safety related arrangements, particularly within WesTrac's operations, are developed following a risk assessment process that considers potential events in accordance with current Emergency Risk Management guidelines. Workplace health and safety polices are promulgated to staff through induction and training and the availability of information on the Company's intranet as well as through Occupational Health & Safety Committees and representatives which ensure that any workplace safety issues are dealt with promptly and in a consultative manner.

Security arrangements at the Company's business sites are developed through formal security risk assessment and vulnerability determination processes using an 'all hazards' approach. Potential security related incidents are rated against consequence and likelihood and security plans are documented following a criticality assessment, incorporating internal prevention and preparedness measures, as well as internal and external emergency response arrangements.

Corporate Governance Statement

Year ended 30 June 2014

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 a free and confidential external counselling service for employees and their immediate families.

Environment and Sustainability

Environmental risks are considered as part of the Company's risk assessment processes. Within WesTrac this process is driven by its Emergency Planning Committee. 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 fire fighting capabilities and equipment are regularly tested and emergency arrangements with key external response agencies have been established.

WesTrac has developed an Environmental Charter which promotes the achievement of environmental and sustainability objectives across its operations through: the efficient use of energy, water and other finite resources which thereby reduces greenhouse gas emissions and waste; integrating environmental requirements into the design or modification of facilities to reduce life cycle costs and environmental impacts; and focusing on continuous improvement of environmental performance throughout the business.

In the past 18 months WesTrac has transitioned to purpose-built product distribution facilities at its main premises at Guildford in Western Australia and Tomago in New South Wales, each incorporating significant sustainable design features, including energy efficient lighting, rain water capture for onsite reuse, and native and drought resistant landscaping.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration & Nomination Committee

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.

To assist it in achieving this objective, the Board has established a Remuneration & Nomination Committee comprising Mr Peter Ritchie AO as its Chairman, Mrs Dulcie Boling, Mr Terry Davis and Mr Richard Uechtritz. The Remuneration & Nomination Committee Charter posted on the Company's website sets out the role and responsibilities of the Committee. The terms of the Committee's charter in respect of its Remuneration function are summarised below and in the Directors' Report. The primary responsibilities of the Committee are, as required:

- to review and advise the Board on Directors' fees and the remuneration packages, including equity incentive grants, of the Managing Director & Chief Executive Officer, Chief Executives and senior executives of the Group subsidiaries;
- to provide advice and support and serve as a sounding-board for the Managing Director & Chief Executive Officer and Board in human resource and remuneration-related matters; and
- to advise on succession planning and employee development policies.

Remuneration of Non-Executive Directors

The remuneration of the Non-Executive Directors of the Board is restricted, in aggregate, by the Constitution of the Company and the requirements of the Corporations Act. Currently, Non-Executive Directors' remuneration in aggregate must not exceed $2 million per annum. Non-Executive Directors receive base fees and fees for chairing or serving on Board Committees. In contrast to Executive Directors and senior executives, Non-Executive Directors do not receive performance linked 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. Fees for Non-Executive Directors are set out in the Remuneration Report. No retirement benefits apply in respect of Seven Group Holdings Limited Non-Executive directorships other than superannuation contributions. Three Non-Executive Director Retirement Deeds remain current in respect of Seven Network Limited. The benefits payable upon retirement under the Deeds were frozen on 1 August 2003 and from that date, retirement benefits have not been offered to any newly appointed Non-Executive Directors of Seven Network Limited.

During the year fees received by Non-Executive Directors were reviewed by Remuneration & Nomination Committee and the Committee recommended that the fees not be changed. There has been no change to the fees paid to Non-Executive Directors since their approval in 2010.

Corporate Governance Statement

Year ended 30 June 2014

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 the employees and that the 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 Managing Director & Chief Executive Officer 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 include bonus, option or share elements 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. Share 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.

The Company conducts annual employee performance reviews, involving a written questionnaire, discussion between employee and manager of employee competencies and the agreement of performance goals for the employee.

Remuneration matters concerning WesTrac Senior Executives who are Key Management Personnel are brought to the Remuneration & Nomination Committee for its consideration. Otherwise, WesTrac largely determines performance linked incentives for senior employees and executives of the WesTrac Group within a budget approved by the Board and reported to the Remuneration & Nomination Committee. However, remuneration policy matters relating to WesTrac may also be brought to the Remuneration & Nomination Committee or Board as appropriate.

The Remuneration & Nomination Committee met after the end of the financial year to review and recommend to the Board any performance linked remuneration for the Managing Director & Chief Executive Officer during the financial year as well as for senior Company executives. This process and the outcomes are summarised in the Remuneration Report.

The key terms of Mr Voelte's employment arrangements as Chief Executive Officer & Managing Director were announced to ASX on 1 July 2013. Further information concerning Mr Voelte's employment and remuneration arrangements is set out in Remuneration Report.

Hedging Policy

The Company's Group Directors Share Trading Policy, and the Executive and Staff Share Trading Policy, prohibit employees (including Key Management Personnel) 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 in connection with the Company's 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 ESOP (and LTI plan) rules which applies to any options over shares in the Company which may be granted from time to time. The Company will continue to monitor the appropriateness of this approach.

Further details relating to remuneration and the Company's remuneration policy, framework and structuring are contained within the Remuneration Report.

Directors' Report

Year ended 30 June 2014

Your Directors present their report on the Group consisting of Seven Group Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014.

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)
Peter David Ritchie AO (Deputy Chairman)
Donald Rudolph Voelte AO (Managing Director & Chief Executive Officer)
David John Leckie (Executive Director, Media resigned 22 August 2014)
Elizabeth Dulcie Boling
Terry James Davis
Christopher John Mackay
Bruce Ian McWilliam
Ryan Kerry Stokes (Chief Operating Officer)
Richard Anders Uechtritz
Professor Murray Charles Wells
James Allan Walker (Chief Executive Officer, WesTrac Group resigned 23 August 2013)

Particulars of their qualifications, experience, special responsibilities and any directorships of other listed companies are set out in this Annual Report under the headings "Board of Directors" and "Corporate Governance Statement" and form part of this report.

Warren Walter Coatsworth is the Company Secretary. Particulars of Mr Coatsworth's qualifications and experience are set out in this Annual Report under the heading "Company Secretary".

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 and equipment hire and media and broadcasting. There were no significant changes in the nature of the Group's principal activities during the financial year. During the year, the Group commenced activities in the oil and gas sector through its acquisition of the senior debt and subordinated notes issued by Nexus Energy Limited and a non-operating interest in producing, development and undeveloped oil and gas assets located in the United States of America.

Business Strategies, Prospects and Likely Developments

Information on the Group's operations, financial position, business strategies and prospects for future financial years has been included in the "Operating and Financial Review".

The Operating and Financial Review also refers to likely developments in the Group's operations and the expected results of those operations in future financial years. Information in the Operating and Financial Review is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Group. Detail that could give rise to likely material detriment to the Group, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included. Other than the information set out in the Operating and Financial Review, information about other likely developments in the Group's operations and the expected results of these operations in future financial years has not been included.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

- On 12 November 2013, WesTrac, a division of the Company, announced plans to implement an organisational restructure across its operations. The restructure resulted in a workforce reduction of approximately 630 WesTrac positions at an approximate cost of AUD $13 million. The restructure was successfully completed by the end of December 2013.
- On 10 December 2013, WesTrac China Limited, a wholly owned subsidiary of the Company, announced its acquisition from Caterpillar Global Mining LLC of the latter's distribution and support business in certain Provinces in north-eastern China at a transaction cost of approximately USD $130 million.
- On 11 December 2013, the Company announced details of an on-market buy-back of up to 11.9 million of the Company's shares, representing approximately 3.86% of the Company's ordinary shares. The buy-back commenced on 13 January 2014 and at the date of this report, 5,468,395 ordinary shares have been bought back at a cost of AUD $44 million.
- On 31 March 2014, the Company announced that it had signed a merger implementation agreement to acquire all of the outstanding equity of Nexus Energy Limited (Nexus) by way of a scheme of arrangement. The offer to Nexus shareholders was AUD 2 cents per share in cash. The agreement was subject to various conditions, including Nexus shareholder and court approval. The Company also provided Nexus with working capital to continue its operations, including an immediate AUD $30 million bridge-loan facility.

  The Federal Court of Australia ordered the despatch of the scheme booklet on 7 May 2014. The Court also ordered that a meeting of Nexus shareholders be convened to consider the scheme on 12 June 2014. On 12 June 2014, insufficient Nexus shareholder votes were received to approve the scheme. The same day, Nexus was placed into voluntary administration.

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.

Directors' Report

Year ended 30 June 2014

Matters Subsequent to the End of the Financial Year

On 6 August 2014, the administrators of Nexus announced that only one offer was generated through the company's sale process. The sole offer was a proposed Deed of Company Arrangement (DOCA) from a wholly-owned Group subsidiary, SGH Energy (No 2) Pty Ltd. The key terms of the DOCA included the repayment of the Nexus senior debt in full, trade creditors and employee priority claims paid in full, subordinated note holders to receive 74.5 cents in the dollar for principal and accrued interest and settlement of Sedco's claims against Nexus for $30,000,000.

Nexus creditors subsequently resolved to execute the DOCA at the second meeting of Nexus creditors on 11 August 2014. Completion of the DOCA by Nexus is subject to several conditions precedent and is required to occur within 15 business days of the second creditors meeting (i.e. by 1 September 2014). Further information regarding the DOCA is available in Nexus' ASX announcement dated 6 August 2014.

On 27 June 2014, a wholly-owned Group subsidiary Seven Network (United States) Inc. (SNUS), acquired a non-operating interest in producing, development and undeveloped oil and gas assets located in the United States of America. Subsequent to 30 June 2014, Apache Corporation, the operator of the oil and gas assets initiated legal action against the vendor and SNUS for alleged breaches of contract (by the vendor) and tortious interference (by SNUS). The Group believes the action to be without merit and is defending its position.

Except for the above, there are no other matters or circumstances which have arisen since 30 June 2014 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 2014, 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	12	10	–	–	1	1	–	–
PD Ritchie AO	12	11	7(1)	6(1)	3	2	3	2
DR Voelte AO	12	11	7(2)	7(2)	3	3	–	–
DJ Leckie+	3	3	–	–	–	–	–	–
ED Boling	12	12	–	–	3	3	3	3
TJ Davis	12	11	–	–	3	1	3	3
CJ Mackay	12	12	7	7	–	–	3	3
BI McWilliam	12	11	7	7	–	–	2	2
RK Stokes	12	12	7(2)	7(2)	–	–	–	–
MC Wells	12	12	7(2)	7(2)	–	–	3	3
RA Uechtritz	12	12	–	–	3	3	3	3
JA Walker*	–	–	(2)	(2)	–	–	–	–

(a) The number of meetings held reflects 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.

\+ Leave of absence granted.

* Resigned as Director 23 August 2013.

§ Bracketed numbers in these columns refer to the number of meetings of a Sub Committee of the Audit & Risk Committee held and attended.

Directors' Report

Year ended 30 June 2014

Dividends – Ordinary Shares

Since the start of the financial year, a final fully franked dividend for the 2013 financial period of 20.0 cents per share, amounting to $61,632,000, was paid on 11 October 2013.

Since the start of the financial year, an interim fully franked dividend for the 2014 financial year of 20.0 cents per share, amounting to $61,471,000, was paid on 11 April 2014.

A final fully franked dividend for the 2014 financial year of 20.0 cents per share of $60,538,000 will be paid on 13 October 2014, based on the number of issued shares at the date of this report.

Dividends – TELYS4

Since the start of the financial year, a fully franked dividend of $2.6427 per TELYS4 based on 4,963,640 TELYS4 on issue, amounting to $13,117,000 was paid on 2 December 2013.

A further fully franked dividend of $2.5608 per TELYS4 based on 4,963,640 TELYS4 on issue, amounting to $12,711,000 was paid on 2 June 2014.

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 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 Company 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.

There are no other particular environmental regulations applying to WesTrac or the Group.

Directors' Interests in Shares

The relevant interest of each Director in ordinary shares, TELYS4 or options issued by the companies within the Group, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act, at the date of this report is as follows:

Directors' holdings of Seven Group Holdings Limited shares as at 27 August 2014

	Ordinary Shares	Options over Ordinary Shares	TELYS4
KM Stokes AC	207,304,349	Nil	Nil
PD Ritchie AO	46,072	Nil	Nil
DR Voelte AO	40,000	Nil	Nil
ED Boling	Nil	Nil	Nil
TJ Davis	Nil	Nil	5,500
CJ Mackay	10,000	Nil	Nil
BI McWilliam	124,011	Nil	Nil
RK Stokes	115,780	Nil	Nil
MC Wells	4,000	Nil	710
RA Uechtritz	536,476	Nil	2,400

Options granted over Ordinary Shares in Seven Group Holdings Limited

On 28 April 2010, an Employee Share Option Plan was approved by the Board to enable the provision of performance based incentives to the Company's Senior Executives.

Options granted under the Employee Share Option Plan entitle the holder to one fully paid ordinary share at the exercise price. All options expire on the earlier of their expiry date or 180 days following the termination of the holder's employment. In addition, the ability to exercise options is conditional on the achievement of Total Shareholder Return hurdles. Further details are included in the Remuneration Report.

During the financial year and up to the date of this report 1,500,000 options with an exercise price of $7.00 and 1,000,000 options with an exercise price of $8.00 were exercised. The terms of these options allowed them to be satisfied on exercise by the issue of new shares or by the transfer of shares acquired on market or to be cashed out, at the Company's discretion. The Company elected to satisfy the exercised options through the transfer of shares acquired on market or cashing out and no new shares were issued.

On 30 June 2014, 1,000,000 options with an exercise price of $9.00 lapsed. No options were granted during or since the end of the year.

Unissued Shares under Options

At the date of this report, there are no options on issue under the Employee Share Option Plan, nor any other options on issue over unissued shares in the Company.

The names of the executives who previously held options, granted at any time, are entered in the Register of Options kept by the Company pursuant to Section 170 of the Corporations Act. The Register may be inspected free of charge.

Remuneration Report

Year ended 30 June 2014

Message from the Board

Dear Shareholders

Executive remuneration outcomes

In the 2014 financial year (FY14), Seven Group Holdings Limited (the Company) and its subsidiaries (together referred to as the Group) have spent considerable time recruiting and selecting a new executive management team with the appropriate skills and experience to position the Group for future growth and ensure its long term viability. The new management team are driving fundamental changes to meet the changing demands of the mining sector, have undertaken significant cost reduction initiatives and have set foundations for future growth across our industrial services businesses and media investments.

While putting in place the frameworks for the Group's development and growth, the Group has encountered a challenging economy across our operating businesses. Demand for resources and significant pressure on commodity prices have impacted the performance of our businesses over the past twelve months as the mining services market contracted in response to significant cost cutting across the mining industry and our customers have reduced their capital expenditure.

In FY14 the Board set a challenging budget reflective of market conditions and consistent with market guidance. Despite the challenging conditions, the Group delivered a strong performance in FY14 to achieve the Net Profit after Tax (NPAT) target of $236.8 million on a statutory basis which was 10% ahead of target ($262.5 million). The underlying NPAT performance was also ahead of target by 6%.

While the result was a 46% decrease on the prior year record performance on a statutory basis, the executive management team have adapted to the changing environment and delivered an outstanding performance, demonstrated by all of our businesses and investments maintaining their market leading positions in FY14.

Executive variable remuneration outcomes in FY14 were dependent on both the Group's achievement of its NPAT target and on individual executive performance outcomes against financial and non-financial key performance indicators. In FY14 the key performance indicators for executives were focussed on the achievement of key goals associated with the restructuring and cost reduction programs implemented during the year which were successfully delivered by the management team. As a result, short-term incentive plan awards at between 86 and 92 per cent of the "at target" level will be made to executives, reflecting the Board's commitment to maintaining the link between executive remuneration and Group performance.

Managing Director & Chief Executive Officer remuneration

We welcome Mr Don Voelte AO to the Company as Managing Director & Chief Executive Officer (MD & CEO). Mr Voelte AO was appointed to this position on 1 July 2013. The MD & CEO's remuneration structure was considered and approved by the Board and announced to the ASX on 1 July 2013. Further details concerning the MD & CEO's employment and remuneration arrangements and the performance-linked remuneration applying to the MD & CEO are set out in section 5 of the Remuneration Report.

MD & CEO performance-linked remuneration outcomes

The MD & CEO is eligible to participate in performance-linked remuneration under a Short Term Incentive (STI) plan and a Long Term Incentive (LTI) plan.

The MD & CEO delivered an outstanding performance to achieve his goals under the STI plan and as such was awarded 90 per cent of the at target payment under this plan.

The MD & CEO received a grant of 1,221,374 share appreciation rights on 1 July 2013 under the LTI plan applicable to the MD & CEO. The LTI plan provides an opportunity for the MD & CEO be paid a cash amount based on the increase in the Company's share price over a defined exercise price subject to the satisfaction of specified vesting conditions over an initial three year performance period. The plan is designed to encourage sustained long-term performance and enhance the alignment between the interests of the MD & CEO and those of shareholders by rewarding the MD & CEO for increasing the market value of the Company.

Executive leadership team

Following his appointment as MD & CEO, Mr Voelte AO made a number of new appointments and changes to the management team to place the Group in a strong position to meet the demands of the changing landscape. We are pleased to introduce the Group's Executive Leadership Team.

Donald Rudolph Voelte AO	Managing Director & Chief Executive Officer
Melanie Jayne Allibon	Group Executive, Human Resources
Martin Bryant	Chief Executive Officer, WesTrac China
Jarvas Ernest Croome	Chief Executive Officer, WesTrac Australia
Martin John Ferguson AM	Group Executive, Natural Resources
William Neil Forbes AM	Chief Risk, Safety & Security Officer
Bruce Ian McWilliam	Commercial Director
Richard Joseph Richards	Group Chief Financial Officer
James Robert Scott	Group Executive, Performance
Ryan Kerry Stokes	Chief Operating Officer

Remuneration Report

Year ended 30 June 2014

We look forward to continuing to work with our Executive Leadership Team as we strive to create the opportunities for further growth and development of the Group and further enhance the performance of our operating businesses.

Executive leadership team changes during the year

Certain members of the Executive Leadership Team have authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and as such are members of the Group's Key Management Personnel (KMP). The remuneration of KMP is detailed in the Remuneration Report.

New in FY14 to the Executive Leadership Team, and Key Management Personnel, were Ms Melanie J Allibon – Group Executive, Human Resources from 1 July 2013 and Mr Richard Richards – Group Chief Financial Officer from 1 October 2013.

Joining the Executive Leadership Team during the year was Mr James Scott – Group Executive, Performance from 2 September 2013, Mr Martin Ferguson AM – Group Executive, Natural Resources from 9 October 2013 and Mr William Forbes AM – Chief Risk, Safety & Security Officer from 17 February 2014.

Additionally, following the announcement of the retirement of Mr James Walker – Chief Executive Officer, WesTrac, Mr Voelte AO reorganised the responsibilities of the Executive Leadership Team in the WesTrac businesses.

The changes to the Executive Leadership Team at WesTrac were:

- From 1 December 2013, WesTrac China's Chief Executive Officer, Mr Martin Bryant, was responsible for WesTrac China reporting directly to Mr Voelte AO and as such is a member of the Key Management Personnel of the Group from this date. Mr Walker was previously responsible for the WesTrac China business with Mr Bryant reporting to Mr Walker's position prior to 1 December 2013; and
- On 10 March 2014, Mr Jarvas Croome was appointed as Chief Executive Officer, WesTrac Australia and to Key Management Personnel of the Group.

Leaving the Executive Leadership Team and Key Management Personnel during the year was Mr James Walker, Chief Executive Officer, WesTrac who retired on 31 January 2014. Mr Walker resigned as an Executive Director of the Company on 23 August 2013. Mr Walker joined WesTrac in 1989 and was the Chief Executive Officer of WesTrac for the past 13 years leading the Group's rapid development in industrial services in Australia and China. We honour his work and commitment to the Group, our people and our customers over so many decades and wish him the very best for the next stage of his career as a Company Director and Chairman.

Also leaving Key Management Personnel during the year was Mr David Cooper, Interim Chief Financial Officer on 30 September 2013, who had been retained by the Company on an interim basis prior to the appointment of Mr Richards as Group Chief Financial Officer. Mr Cooper was subsequently appointed as Chief Financial Officer, WesTrac.

Leaving Key Management Personnel subsequent to 30 June 2014 was Mr David Leckie, Executive Director, Media who resigned as a Director of the Company on 22 August 2014 to take up a consulting role with the Group and was no longer Key Management Personnel from this date.

Remuneration & Nomination Committee

During the financial year the Remuneration & Nomination Committee (the Committee) comprised the following members:

PD Ritchie (Chairman of the Committee)
ED Boling
TJ Davis
RA Uechtritz

Further executive remuneration details

Further details concerning executive remuneration arrangements and the performance-linked remuneration outcomes for FY14 are set out in this Remuneration Report.

Yours faithfully

Peter Ritchie AO
Chairman of the Remuneration & Nomination Committee

Remuneration Report

Year ended 30 June 2014

Remuneration Report – audited

Contents

The Remuneration Report is set out under the following main headings:

1. Introduction

The Directors of Seven Group Holdings Limited present the Remuneration Report for the year ended 30 June 2014 (FY14). The Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

The Remuneration Report details the remuneration arrangements for Key Management Personnel (KMP), which include 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 and Group Executives are hereafter collectively referred to in this report as KMP Executives.

The Group's KMP for the year ended 30 June 2014 are listed in the table below.

Executive Directors	
Kerry Matthew Stokes AC	Executive Chairman
Donald Rudolph Voelte AO	Managing Director & Chief Executive Officer (MD & CEO) (appointed 1 July 2013)
David John Leckie	Executive Director, Media (resigned 22 August 2014)
Bruce Ian McWilliam	Commercial Director
Ryan Kerry Stokes	Chief Operating Officer

Non-Executive Directors	
Peter David Ritchie AO	Deputy Chairman
Elizabeth Dulcie Boling	Director
Terry James Davis	Director
Christopher John Mackay	Director
Richard Anders Uechtritz	Director
Professor Murray Charles Wells	Director

Remuneration Report

Year ended 30 June 2014

Group Executives	
Melanie Jayne Allibon	Group Executive, Human Resources (appointed as KMP on 1 July 2013)
Martin Bryant	Chief Executive Officer, WesTrac China (appointed as KMP on 1 December 2013)
David Anthony Cooper[a]	Interim Group Chief Financial Officer (ceased 30 September 2013)
Jarvas Ernest Croome	Chief Executive Officer, WesTrac Australia (appointed 10 March 2014)
Richard Joseph Richards	Group Chief Financial Officer (appointed 1 October 2013)
James Allan Walker[b]	Chief Executive Officer, WesTrac Group (retired 31 January 2014)

(a) Mr Cooper was retained by the Company as Interim Group Chief Financial Officer through a company to company agreement with Deloitte where Mr Cooper was a Partner, prior to the appointment of Mr Richards as Group Chief Financial Officer.

(b) Mr Walker was an Executive Director of the Company until 23 August 2013 and was Chief Executive Officer, WesTrac Group until 31 January 2014.

2. 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 requested by the Board;
- Review and make recommendations to the Board on all proposed offers to participate in, and all 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.

Engagement of remuneration advisers

The Remuneration & Nomination Committee obtains independent advice on the appropriateness of remuneration arrangements for the KMP, as required. Advice is sought in relation to remuneration trends for comparative companies both locally and internationally. Any advice received by the Company is considered in light of the Company's remuneration policy and objectives.

During FY14 no remuneration recommendations, as defined by the Corporations Act, were requested by or provided to the Remuneration & Nomination Committee or the Board by any remuneration consultant.

During FY14 Mercer Consulting (Australia) Pty Ltd (Mercer) was engaged by the Company to provide market remuneration data on executive roles. In the course of providing this information, the Board is satisfied that Mercer did not make any remuneration recommendations as defined by the Corporations Act relating to Key Management Personnel.

3. Remuneration principles and strategy

Remuneration principles

Given the nature of the Group's business and the policy of primarily setting operational management remuneration at the operating entity levels, the Company is focused on retaining quality directors and a small team of key personnel with the appropriate skills and expertise.

While the Board determines and applies specific remuneration policies at the holding Company level, the operating entities have a level of flexibility in determining and setting their own sector specific remuneration policies and arrangements. The policies and arrangements are within delegated authority limits and budgets for the operating entity which are reviewed by management of the Company and approved by the Board. Remuneration matters relating to the Group's controlled operating entities are brought forward to the Remuneration & Nomination Committee as appropriate.

The key principles of the Group's Remuneration Policy are:

- 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 quality and best skills from the industries in which the Company and Group operate;
- Ensure the Group's remuneration structures are equitable and aligned with the long-term interests of the Group and its shareholders and having regard to relevant Group policies;
- Structure incentives that are linked to the creation of sustainable shareholder returns; and
- Ensure any termination benefits are appropriate.

Remuneration Report
Year ended 30 June 2014

Remuneration strategy

The following diagram illustrates how the Group's remuneration strategy and approach are linked to, and support the business' objectives and how they are aligned to the long-term interests of shareholders and the creation of sustainable shareholder returns.

Business objective
Deliver strong revenue and earnings growth in core operating businesses. Efficiently allocate capital to work with investee companies in which it has a significant stake to increase the value of its investments.

Remuneration strategy and objectives	
Attract, retain and motivate people of the highest quality Attract, motivate and retain key talent by providing market competitive remuneration, which provides a mix of fixed and variable short-term and long-term incentives.	**Align remuneration structures with the long-term interests of the Group and shareholders** Short-term and long-term incentive outcomes are dependent on the achievement of financial and non-financial business objectives, and shareholder return measures including Total Shareholder Return (TSR) and Earnings Per Share (EPS).

Fixed remuneration	Short-term incentives	Long-term incentives
Fixed remuneration (FR) consists of base salary as well as employer superannuation contributions. FR is set by having regard to listed companies of a similar size and complexity. 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 car parking and tickets to events.	The short-term incentive (STI) plan delivers an annual incentive where executives have achieved stretching performance measures. In the case of the MD & CEO the incentive is delivered via deferred shares and cash, and for all other KMP Executives the incentive is delivered in cash. Performance is typically measured using a mix of financial corporate goals such as NPAT and non-financial personal goals including: • Divisional profit before significant items, net finance costs and tax (EBIT) performance; • Leadership and staff development; • Strategic direction; and • Investment performance.	**MD & CEO** The MD & CEO long-term incentive (LTI) plan provides annual grants of cash-settled share options which provide an opportunity for the MD & CEO to be paid a cash amount based on the increase in the Company's share price over a defined exercise price subject to the satisfaction of specified vesting conditions. The plan is designed to encourage sustained long-term performance and enhance the alignment between the interests of the MD & CEO and those of shareholders by rewarding the MD & CEO for increasing the market value of the Company. **KMP Executives** The KMP Executive LTI plan provides an opportunity for grants of performance rights to selected executives. Grants are only made if the financial performance targets for the relevant financial year are achieved. The plan provides that any grants made are subject to further performance hurdles of Earnings per Share growth and relative Total Shareholder Return over a three-year period.

Remuneration Report

Year ended 30 June 2014

4. Executive Chairman and Non-Executive Director remuneration framework

Non-Executive Directors' remuneration is reviewed by the Board, taking into account the recommendations of the Remuneration & Nomination Committee and, as appropriate, external benchmarking of remuneration for Non-Executive Directors of comparable companies.

The objective of the Committee in making its recommendations is to attract, retain and properly motivate Directors who will, through their contribution to the Board and the Group, work towards creating sustainable value for shareholders and stakeholders.

Approved fee pool

In accordance with the Company's Constitution and the requirements of the Corporations Act and ASX Listing Rules, the aggregate fees payable to the Non-Executive Directors are set at a maximum level approved by shareholders. The current aggregate pool available for the payment of fees to the Executive Chairman and Non-Executive Directors is $2,000,000 per annum.

Executive Chairman fees

Mr Kerry M Stokes AC, Executive Chairman, receives a director's fee of $350,000. He does not receive any variable remuneration or other performance related incentives such as options or rights to shares. In addition, no retirement benefits are provided to the Executive Chairman other than statutory superannuation contributions.

Non-Executive Director fees

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 (Committee fees). Board and Committee fees are paid in the form of cash and statutory superannuation contributions.

The table below sets out the base and Committee fees inclusive of superannuation which applied during FY14. There was no increase in Non-Executive Director fees during FY14, which have remained unchanged since August 2010.

Non-Executive Director fees	
Base fee	$150,000
Committee Chair fees	
Audit & Risk	$60,000
Remuneration & Nomination	$40,000
Independent & Related Party	$40,000
Committee member fees	
Audit & Risk	$20,000
Remuneration & Nomination	$20,000
Independent & Related Party	$20,000

The Non-Executive Directors do not currently receive any variable remuneration or other performance related incentives such as options or rights to shares, and no retirement benefits (except as outlined below) are provided to Non-Executive Directors. However, Non-Executive Directors may receive performance linked payments and other payments at the discretion of the Board in relation to special services that they perform for the Company. No performance linked payments or other payments for special services were made to Non-Executive Directors in FY14.

Non-Executive Director Retirement Benefits

A Retirement Deed was previously entered into with three qualifying Non-Executive Directors of Seven Network Limited in relation to the benefit payable on retirement to Directors who have served more than five years as Seven Network Limited Directors. These Retirement Deeds have been in place for a number of years. The benefits payable upon retirement under the Deeds were frozen on 1 August 2003 at three times the average of the Directors' emolument over the previous three years and no further increases will apply. From that date, retirement benefits were not offered to any newly appointed Non-Executive Directors. Three Non-Executive Director Retirement Deeds now remain current in respect of Seven Network Limited. No other retirement benefits apply in respect of Seven Group Holdings Limited Non-Executive directorships.

Remuneration Report

Year ended 30 June 2014

5. KMP Executive remuneration framework

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

Total remuneration comprises of fixed and variable remuneration (which is dependent on the achievement of financial and non-financial performance measures). When determining the nature and amount of remuneration the Remuneration & Nomination Committee considers the appropriate level of total remuneration for each KMP Executive by examining the total reward provided to comparable roles in organisations of similar global complexity, size and reach.

Fixed remuneration

Fixed remuneration consists of base salary, as well as employer contributions to superannuation funds.

Remuneration levels are reviewed by the Remuneration & Nomination Committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants may be requested to provide analysis and advice to ensure the KMP executives' remuneration is competitive in the market place.

Variable remuneration

Performance linked remuneration is designed to reward certain KMP Executives for meeting or exceeding financial and individual objectives.

Further details on the STI and LTI plans are included below.

Remuneration mix

The following table outlines the current target remuneration mix for the MD & CEO and other KMP Executives (excluding the Executive Chairman who does not receive any variable remuneration). The MD & CEO has a higher proportion of remuneration "at-risk" (and subject to performance conditions) to reflect the greater responsibility and accountability for the business' performance relative to other KMP Executives.

KMP Executives	Position	FR	STI	Deferred STI	LTI
DR Voelte AO	MD & CEO	45%	22%	11%	22%
MJ Allibon[(a)]	Group Executive, Human Resources	100%	–	–	–
M Bryant[(b)(c)]	Chief Executive Officer, WesTrac China	100%	–	–	–
JE Croome[(d)]	Chief Executive Officer, WesTrac Australia	50%	25%	–	25%
DJ Leckie[(c)]	Executive Director, Media	100%	–	–	–
BI McWilliam[(a)]	Commercial Director	100%	–	–	–
RJ Richards[(e)]	Group Chief Financial Officer	50%	25%	–	25%
RK Stokes	Group Chief Operating Officer	50%	25%	–	25%
JA Walker[(f)(g)]	Chief Executive Officer, WesTrac	57%	21.5%	–	21.5%

(a) Ms Allibon and Mr McWilliam are employed by Seven West Media Limited and do not participate in performance-linked remuneration plans with Seven Group Holdings Limited but may have the opportunity to receive discretionary incentive payments.
(b) KMP Executive role commenced 1 December 2013 on the appointment of Mr Bryant.
(c) Mr Bryant and Mr Leckie do not participate in performance-linked remuneration.
(d) KMP Executive role commenced 10 March 2014 on the appointment of Mr Croome.
(e) KMP Executive role commenced 1 October 2013 on the appointment of Mr Richards.
(f) KMP Executive role ceased 31 January 2014 on the resignation of Mr Walker.
(g) Mr Walker resigned on 31 January 2014 and as such was not eligible to receive performance-linked remuneration in FY14.

Remuneration Report

Year ended 30 June 2014

Minimum shareholding guidelines for KMP Executives

With effect from 1 July 2012, the Board implemented minimum shareholding guidelines to encourage KMP Executives to hold Seven Group Holdings Limited shares and further align their interests with those of shareholders. The guidelines 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 fixed remuneration
10	40% of annual fixed remuneration
15	60% of annual fixed remuneration
20	80% of annual fixed remuneration

Shareholdings for each KMP are detailed in section 6 of the Remuneration Report.

a. Managing Director & Chief Executive Officer remuneration

Mr Voelte AO was appointed Managing Director & Chief Executive Officer on 1 July 2013. Mr Voelte AO is employed under an open-ended employment contract under which the MD & CEO may give six months' notice to terminate employment. The Company is required to provide one month notice to terminate.

The remuneration mix for the MD & CEO comprises both a fixed component and a variable (or "at risk") component (which comprises separate short-term incentive and long-term incentive elements). These components are explained in detail below.

Fixed remuneration

The MD & CEO's fixed remuneration is $3,200,000 per annum inclusive of superannuation.

The remit of the MD & CEO includes overseeing the strategy of the Group, subject to the input and approval of the Board. The Board considers the MD & CEO's fixed remuneration is appropriate having regard to the responsibilities and duties of Mr Voelte AO as MD & CEO, as well as his extensive experience and demonstrated performance in influencing achievement of substantial business strategy as a CEO in both Australia and the United States. Mr Voelte AO has very considerable responsibilities as the head of a small executive team, and accordingly placement of this complex role is critical due to its high capacity for it to influence Company performance and shareholder value. Mr Voelte AO is uniquely qualified for the position given his very recent media experience as Managing Director & Chief Executive Officer of Seven West Media Limited, a core investment of the Group and his significant experience as a CEO in the gas and energy industry, a sector in which the Group is seeking to invest.

Under the Board's Charter the appointment of the MD & CEO is a matter for the Board. Accordingly, the MD & CEO's remuneration was proposed with the assistance of a sub-committee of the Board under delegation from the Board and with reference to market remuneration data from companies in Seven Group Holdings Limited's market peer group and with regard to the criticality of the role and of Mr Voelte AO to the Group.

Variable remuneration

The MD & CEO is eligible to participate in performance-linked remuneration under an STI plan and an LTI plan. Further details on the STI and LTI plans applying to the MD & CEO are at section 5.b and 5.d of the Remuneration Report.

b. Short-term incentive plan

Certain KMP Executives, including the MD & CEO, participated in the Company's Short-Term Incentive (STI) plan in FY14 which provided executives with the opportunity to receive an annual incentive subject to the achievement of corporate and personal performance objectives.

STI delivery

For the MD & CEO, two-thirds of the STI is awarded as a lump sum cash payment after corporate and personal goals have been measured and assessed.

For the MD & CEO, one-third of the award is deferred into restricted shares. The deferred portion of STI is not subject to further performance conditions (other than continuous employment such that if the MD & CEO's employment is terminated under certain circumstances, he does not receive the portion of the unvested restricted shares). The shares vest in three equal tranches, over a period of three years.

Remuneration Report
Year ended 30 June 2014

For other KMP Executives, the STI is awarded as a lump sum cash payment after corporate and personal goals have been measured and assessed following the end of the financial year.

STI awards, including the corporate goals component of the STI award, are not provided in circumstances where individual performance is unsatisfactory.

STI opportunity
The weighting between corporate and personal goals and the target opportunity under the STI plan for each KMP Executives participating in the STI plan are set out in the following table.

KMP Executive	Position	Target STI opportunity (as a percentage of FR)	Corporate goal weighting	Personal goals weighting
DR Voelte AO	Managing Director & Chief Executive Officer	75%	50%	50%
JE Croome	Chief Executive Officer, WesTrac Australia	50%	40%	60%
RJ Richards	Group Chief Financial Officer	50%	40%	60%
RK Stokes	Group Chief Operating Officer	50%	40%	60%

Corporate goals
The corporate goals for each of the STI participants are determined relative to the Group's statutory NPAT performance. Subject to Board discretion the statutory NPAT outcome may be calculated before significant items. The NPAT target for FY14 was $236.8 million.

Personal goals
The personal goals for each of the STI participants are measured using a balanced scorecard approach based on measurable and quantifiable targets. Financial and non-financial measures are differentially weighted to reflect the different focus for KMP Executives in driving the overall business strategy. Example scorecard measures for participants are set out in the table below.

Position	Performance measures
MD & CEO	Personal goals are assessed against specified criteria: • Performance against budget; • Leadership and staff development; • Strategic direction; • Investment performance; and • Direction regarding the Company's operating businesses.
KMP Executives	Personal goals are assessed against specified criteria, for example: • Divisional EBIT performance; • Performance against various budget measures; • Leadership and staff development; • Cost management and delivery of cost targets; • Analysis and execution of investment opportunities; • Monitoring Group investments; and • Representation of the Company to relevant stakeholders.

Performance measurement
The Committee assesses the performance of the MD & CEO and makes a recommendation on the level of STI award to the Board for approval. The performance of other KMP Executives against targets is assessed by the MD & CEO and the level of STI award is recommended to the Committee for approval.

Remuneration Report

Year ended 30 June 2014

FY14 STI outcomes

In FY14 the Group operated in a changing environment and economy and the Board set a challenging budget reflective of the market conditions and consistent with market guidance. The Group delivered a strong performance in FY14 to achieve the Net Profit after Tax (NPAT) target of $236.8 million on a statutory basis which was 10% ahead of target ($262.5 million). The underlying NPAT performance was also ahead of target by 6%.

Executive variable remuneration outcomes in FY14 were dependent on both the Group's achievement of its NPAT target, which was achieved, and on individual executive performance outcomes against financial and non-financial key performance indicators.

The Group spent considerable time during FY14 recruiting and selecting a new executive management team with the appropriate skills and experience to position the Group for future growth and ensure its long term viability. In FY14 the key performance indicators for executives were focussed on the achievement of key goals associated with the restructuring and cost reduction programs implemented during the year which were successfully delivered by the management team.

The new management team have adapted to the changing environment, are driving fundamental changes to meet the changing demands of the mining sector, have undertaken significant cost reduction initiatives, have set foundations for future growth across our industrial services businesses and media investments and under the leadership of the executive team, all of our businesses and investments have maintained their market leading positions in FY14.

As a result, short-term incentive plan awards at between 86 and 92 per cent of the "at target" level will be made to executives, reflecting the Board's commitment to maintaining the link between executive remuneration and Group performance.

The table below provides the weighting of corporate and personal goals, the level of performance achieved (achieved, partially achieved, did not achieve) and cash incentive (expressed as a percentage of fixed remuneration) awarded for FY14.

KMP Executive	Position	Weighting	Level of achievement	Cash incentive awarded for FY14 (as a percentage of FR)	Deferred equity incentive awarded for FY14 (as a percentage of FR)	Percentage of STI awarded	Percentage of STI not awarded
DR Voelte AO	MD & CEO	Corporate goals (50%)	Achieved	45%	22.5%	90%	10%
		Personal goals (50%)	Partially Achieved				
JE Croome[(a)]	Chief Executive Officer, WesTrac Australia	Corporate goals (40%)	Achieved	46%	NA	92%	8%
		Personal goals (60%)	Partially Achieved				
RJ Richards[(b)]	Group Chief Financial Officer	Corporate goals (40%)	Achieved	46%	NA	92%	8%
		Personal goals (60%)	Partially Achieved				
RK Stokes	Group Chief Operating Officer	Corporate goals (40%)	Achieved	43%	NA	86%	14%
		Personal goals (60%)	Partially Achieved				

(a) Mr Croome was appointed to this KMP Executive role on 10 March 2014. The value of Mr Croome's FY14 STI award outcome has been calculated on a proportional basis relative to his time in the role.

(b) Mr Richards was appointed to this KMP Executive role on 1 October 2013. The value of Mr Richards's FY14 STI award outcome has been calculated on a proportional basis relative to his time in the role.

c. Long-term incentive plan

Selected KMP Executives, excluding the MD & CEO, participate in a Long Term Incentive (LTI) plan which was approved by shareholders at the 2012 AGM held on 15 November 2012. The MD & CEO participates in a separate LTI plan which is described at section 5.d of the Remuneration Report. The purpose of the LTI plan is to encourage sustained performance, drive long-term shareholder value creation and ensure alignment of executive remuneration outcomes to shareholder interests.

Remuneration Report

Year ended 30 June 2014

LTI opportunity

Details of KMP Executives participating in the LTI plan and their target opportunity under the LTI plan are set out in the following table.

KMP Executive	Position	Target LTI opportunity (as a percentage of FR)
JE Croome[(a)]	Chief Executive Officer, WesTrac Australia	50%
RJ Richards[(b)]	Group Chief Financial Officer	50%
RK Stokes	Group Chief Operating Officer	50%

(a) Mr Croome was appointed on 10 March 2014. Mr Croome's FY15 LTI award to be granted in respect of FY14 performance will be calculated on a proportional basis relative to his time in the role.
(b) Mr Richards was appointed on 1 October 2013. Mr Richards's FY15 LTI award to be granted in respect of FY14 performance will be calculated on a proportional basis relative to his time in the role.

Awards under the LTI plan are only made if the NPAT target for the relevant year has been achieved and, once granted, awards only vest if the performance hurdles over the three-year performance period are met. 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 certain earnings targets and shareholder returns are achieved and the KMP Executive remains employed by the Company over the three-year performance period.

No rights were granted under the LTI plan during FY14 in respect of FY13 performance as the FY13 LTI target (NPAT) was not achieved.

The NPAT target for FY14 was $236.8 million. The FY14 NPAT target set by the Board was achieved ($262.5 million) and as a result the Board has determined that LTI awards will be granted in FY15 in respect of FY14 performance to eligible KMP Executives, with the grant to Mr R Stokes to be made subject to shareholder approval as an Executive Director of the Company.

Further details on the LTI plan are set out below.

Long-Term Incentive plan	
What will be granted?	Subject to the achievement of financial targets for the relevant financial year, performance rights will be granted for nil consideration. Each right entitles the participant to one ordinary share in the Company, subject to the achievement of the performance hurdles for vesting, as outlined below.
How many performance rights will be granted?	The value of LTI granted annually is 50% of the relevant KMP Executive's fixed remuneration. 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 the share price in accordance with the terms and conditions of the plan.
What will be the vesting performance measures?	The vesting of performance rights granted under the LTI plan will be dependent on two independent performance measures, Earnings per share (EPS) and Total Shareholder Return (TSR).
Why was the EPS performance hurdle chosen, and how is performance measured?	Half (50%) of the award will be subject to an Earnings Per Share (EPS) hurdle. EPS provides a direct link between executive reward with the creation of wealth driven through the increase in earnings per share received by shareholders. EPS performance will be measured with reference to the audited annual accounts fully diluted EPS after allowing for any adjustments to this figure for abnormal or unusual profit items as the Board considers appropriate. Threshold and stretch annual percentage EPS growth targets for three years will be set for each proposed LTI grant, with the proportion of vesting ranging from 0% (where the threshold EPS growth target is not achieved) to 100% (where the stretch EPS growth target is achieved). The percentage of EPS performance rights that vest (if any) at the end of the three-year performance period is based on the following schedule:

Company's EPS over the three years	Proportion of EPS performance rights that vest (%)
Equal to or above the stretch EPS	100%
Between the threshold EPS and the stretch EPS	Straight-line vesting*
At the threshold EPS	50%
Less than the threshold EPS	Nil

* The proportion of EPS performance rights that vests increases in a straight line between 50% and 100% for EPS performance between the aggregate threshold EPS and aggregate stretch EPS.

For the grant of performance rights in respect of FY14 performance, the threshold EPS hurdle is the aggregate of budget EPS targets for each financial year of the performance period and the stretch EPS hurdle is the aggregate of budget EPS plus 10% for each financial year of the performance period.

Remuneration Report

Year ended 30 June 2014

Long-Term Incentive plan	
Why was the TSR performance hurdle chosen, and how is performance measured?	The other half of the LTI award will be subject to a relative TSR hurdle. 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 least at the median of the comparator group. The comparator group chosen for assessing the Company's relative TSR consists of constituents of the S&P / ASX 100 index excluding companies classified as Financials under the Global Industry Classification System. This comparator group was selected as it represents a broad base of companies against which investors in SGH 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. TSR performance is monitored and assessed by an independent advisor. The percentage of TSR performance rights that vest (if any) at the end of the three-year 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	Straight-line vesting
At the 50th percentile	50%
Less than the 50th percentile	Nil

When will performance be tested?	Awards will be subject to a three-year performance period. 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 (i.e., at the end of the three-year performance period) will lapse.
Do the performance rights carry dividend or voting rights?	Performance 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 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.
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 (which would normally include resignation) 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.

Remuneration Report

Year ended 30 June 2014

d. Managing Director & Chief Executive Officer long-term incentive plan

The LTI plan for the MD & CEO is in the form of cash-settled share options which provide an opportunity for the MD & CEO to be paid a cash amount based on the increase in the Company's share price over a defined exercise price subject to the satisfaction of specified vesting conditions (Share Appreciation Rights or SARs).

The LTI plan is designed to encourage sustained long-term performance and enhance the alignment between the interests of the MD & CEO and those of shareholders.

The Board considers the design of the MD & CEO's LTI plan is appropriate on the basis that it is designed to provide an incentive to increase the market value of the Company. Mr Voelte AO's tenure as MD & CEO is currently anticipated to be three years, but longer by agreement. Therefore in designing an appropriate incentive plan for Mr Voelte AO's appointment, the Board considered elements that would be effective across Mr Voelte AO's tenure and designed a plan that is focussed on increasing shareholder value. Under the LTI plan, the value of the Share Appreciation Rights (SARs) is dependent on the Company's share price. The MD & CEO therefore has an incentive to maximise shareholder value in absolute terms. Further, a share price based performance measure is appropriate for Mr Voelte AO as the MD & CEO is better placed than any other executive to influence the share price.

MD & CEO Long-Term Incentive plan	
What is the purpose of the MD & CEO's LTI plan?	The LTI plan is designed to encourage sustained long-term performance and enhance the alignment between the interests of the MD & CEO and those of shareholders by rewarding the MD & CEO for increasing the market value of the Company.
What will be granted?	Cash-settled share options which provide an opportunity for the MD & CEO to be paid a cash amount based on the increase in the Company's share price over a defined exercise price subject to the satisfaction of specified vesting conditions (Share Appreciation Rights or SARs).
When will the SARs be granted?	SARs will be awarded annually with an effective grant date of 1 July in the relevant financial year (Grant Date).
How many share appreciation rights (SARs) will be granted?	The LTI grant opportunity for the MD & CEO is 50% of fixed remuneration. The number of SARs to be granted each year will be determined using the following formula: $\frac{\text{LTI grant opportunity percentage x fixed remuneration}}{\text{Fair value of a SAR on the Grant Date}}$ For this purpose the fair value of a SAR will be determined by the Company using the dividend adjusted Black-Scholes option valuation model. On 1 July 2013 the MD & CEO was granted 1,221,374 SARs. The fair value of a SAR on the Grant Date was $1.31.
How will the exercise price for the SARs be determined?	The exercise price for each vested SAR will be equal to the volume-weighted average price of the Company's ordinary shares for the 30 calendar days prior to the Grant Date (Exercise Price). The exercise price of the MD & CEO's 1 July 2013 grant of SARs is $7.0274.
When will the SARs vest?	The SARs have a three year performance period and will therefore vest on the third anniversary of the Grant Date. Once vested the SARs can be exercised at any time until the fifth anniversary of the Grant Date (at which time the SARs will lapse if not exercised).
How will the award be delivered?	On exercise of vested SARs, the MD & CEO will be entitled to receive a cash payment calculated using the following formula: Number of SARs exercised x (Final Price – Exercise Price) Where Final Price is the volume-weighted average price of the Company's ordinary shares for the 30 calendar days prior to the date the SARs are exercised.
What happens in the event of a change in control?	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 SARs vest.
What happens if the participant ceases employment?	If the MD & CEO ceases employment with the Company due to termination for cause or gross misconduct, or other reasons determined by the Board (which would normally include resignation) all unvested SARs will lapse. If the MD & CEO ceases employment other than for the reasons outlined above the SARs will not lapse, unless the Board determines otherwise.

Remuneration Report

Year ended 30 June 2014

6. Key Management Personnel equity holdings

a. Equity granted as remuneration

Restricted shares granted as remuneration

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

Short-term incentive plan

Under the Company's STI plan, the MD & CEO has the opportunity to receive restricted shares in the Company. Restricted shares to the value of $720,000 will be granted to the MD & CEO subsequent to, but in respect of the year ended 30 June 2014, subject to shareholder approval. Further details on the STI plan are included at section 5.b of the Remuneration Report.

Performance Management Plan

Movements in the holdings of restricted ordinary shares in the Company by KMP during the year are set out in the table below. The restricted ordinary shares were granted under the legacy Performance Management Plan subsequent to, but in respect of the year ended 30 June 2011. Further details on the legacy Performance Management Plan are included at section 8 of the Remuneration Report.

KMP	Held at 30 June 2013	Vested at 30 June 2013	Granted as remuneration	Exercised in FY14	Vested during FY14	Held at 30 June 2014	Vested at 30 June 2014
M Bryant[(a)]	21,561	7,187	–	–	7,187	21,561	14,374
RK Stokes	15,186	–	–	7,593	7,593	7,593	–
JA Walker[(b)]	62,162	20,720	–	41,441	20,721	20,721	–

(a) Opening details are as at date of commencement as KMP.
(b) Closing details are at date of cessation as KMP.

Performance rights granted as remuneration

Long-term incentive plan

The Group offered certain KMP Executives the opportunity to participate in the Group's LTI plan in respect of FY12, FY13 and FY14 performance. Awards under the LTI plan are only made if the NPAT target for the relevant year has been achieved and once granted, awards only vest if the performance hurdles over the three-year performance period are met. LTI awards are structured as rights to acquire ordinary shares in the Company at no cost to the executive.

No grants under the LTI plan have been made to date.

The FY14 NPAT target was achieved and as a result the Board has determined that LTI awards will be granted in FY15 in respect of FY14 performance to eligible executives.

Share appreciation rights granted as remuneration

Movements in the holdings of share appreciation rights by the MD & CEO are set out in the table below. Further details on the MD & CEO's LTI plan are included at section 5.d of the Remuneration Report.

KMP	Grant date	Vesting date	Fair value	Exercise price	Held at 1 July 2013	Granted	Forfeited	Vested and exercised	Held at 30 June 2014
DR Voelte AO	1 Jul 13	30 Jun 16	$1.39	$7.0274	–	1,221,374	–	–	1,221,374

No amount is paid or payable by the MD & CEO in relation this grant. Once vested, the SARs may be exercised any time until the fifth anniversary of the grant date.

Remuneration Report

Year ended 30 June 2014

Share options granted as remuneration

Employee Share Option Plan

Movements in the holdings of options by KMP during the year held directly, indirectly, beneficially and including their personally-related entities are set out in the table below. The options were issued under the legacy Employee Share Option Plan.

KMP	Tranche	Number held at 1 July 2013	Exercised	Cancelled for cash consideration	Forfeited	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
DJ Leckie	1	1,500,000	(500,000)	(1,000,000)	–	–	–	–
	2	1,000,000	–	(1,000,000)	–	–	–	–
	3	500,000	–	–	(500,000)	–	–	–
BI McWilliam	1	500,000	–	–	(500,000)	–	–	–

All options have been exercised or have expired as at 30 June 2014. Further details on the legacy Employee Share Option Plan are included at section 8 of the Remuneration Report.

b. 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.

KMP	Award	FY15	FY16	FY17
DR Voelte AO	Cash settled share options (2014 LTI)	$565,903	$565,903	–
	Deferred shares (2014 STI)	$260,000	$140,000	$60,000
JE Croome	Performance rights (2014 LTI)	$23,666	$23,666	$23,666
RJ Richards	Performance rights (2014 LTI)	$40,936	$40,936	$40,935
RK Stokes	Performance rights (2014 LTI)	$47,972	$47,972	$47,973

c. Modification to equity grant

On 2 October 2013, the Australian Securities Exchange (ASX) granted the Company a waiver to modify the terms and conditions of the options granted to Mr Leckie under the legacy Employee Share Option Plan. Further details on the legacy Employee Share Option Plan are included at section 8 of the Remuneration Report. As a result of the modification, the Company agreed to cancel 2,000,000 of the unlisted options in return for payment of an amount representing the difference between the market price of the underlying ordinary shares and the exercise price per option.

The value of consideration provided to Mr Leckie for the cancellation of the options was calculated as the market price of the options on the date of the agreement between the Company and Mr Leckie to cancel the options. The total value attributed to the cancelled options was $2,261,450.

The ASX waiver to permit the cashing out of Mr Leckie's options was obtained because it provided a simpler, more cost-effective settlement mechanism for the Company than purchasing the required shares on-market and transferring them to Mr Leckie. The waiver was granted for reasons including the fact that the proposed cash settlement arrangements were not disadvantageous to the Company or the rights of shareholders, the options were over a small number of shares, and the Company would have otherwise settled the options through on-market share purchases rather than the issue of new shares.

There were no other modifications to share-based payment arrangements during the year.

Remuneration Report

Year ended 30 June 2014

d. 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	Number held at 1 July 2013	Purchases and other changes during the year	Shares granted as remuneration during the year	Rights converted to shares during the year	Number held at 30 June 2014
KM Stokes AC	207,304,349	–	–	–	207,304,349
PD Ritchie AO	46,072	–	–	–	46,072
DR Voelte AO	–	40,000	–	–	40,000
ED Boling	–	–	–	–	–
TJ Davis	–	–	–	–	–
CJ Mackay	–	10,000	–	–	10,000
RA Uechtritz	426,476	110,000	–	–	536,476
MC Wells	4,000	–	–	–	4,000
MJ Allibon[(a)]	–	6,000	–	–	6,000
M Bryant[(a)]	41,561	–	–	–	41,561
JE Croome[(a)]	–	–	–	–	–
DJ Leckie	66,908	(500,000)	–	500,000	66,908
BI McWilliam	287,152	(163,141)	–	–	124,011
RK Stokes	115,780	–	–	–	115,780
RJ Richards[(a)]	–	–	–	–	–
JA Walker[(b)]	132,162	–	–	–	132,162

(a) Opening details are as at date of commencement as KMP.
(b) Closing details are at date of cessation as KMP.

TELYS4

KMP	Number held at 1 July 2013	Purchases and other changes during the year	Shares granted as remuneration during the year	Number held at 30 June 2014
TJ Davis	5,500	–	–	5,500
RA Uechtritz	2,400	–	–	2,400
MC Wells	710	–	–	710
JE Croome[(a)]	200	–	–	200

(a) Opening details are as at date of commencement as KMP.

Remuneration Report

Year ended 30 June 2014

e. 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 Seven Group Holdings Limited 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 Holding 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.

7. 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 KM Stokes AC and Mr RK Stokes are or were Directors of Officers (excluding equity accounted investees, which are disclosed in Note 31 of the Financial Statements) or otherwise had an interest (2013: Mr KM Stokes, Mr RK Stokes).

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

	2014 $	2013 $
Revenues and expenses		
Revenues	–	1,131,462
Expenses	45,571,852	45,394,529
Assets and liabilities		
Trade and other receivables – current	14,756	280,400
Trade and other payables – current	(502,200)	–

These transactions included nil revenue (2013: $1,131,462) charged to the related party invoiced at standard WesTrac rates, the lease of premises and related outgoings amounting to $39,063,064 (2013: $37,165,486); travel expense amounting to $3,307,071 (2013: $2,245,954); electricity under supply agreement of $2,647,217 (2013: $2,810,880) and other net expense reimbursements of $304,500 (2013: $2,922,209).

The lease of premises cost relates to triple net leases that the WesTrac Group entered into, the material terms of which were set out in page 406 of Part B of the merger scheme documentation and include annual rent increases of the greater of 3% and CPI, responsibility for most costs of maintaining the properties (including capital/structural repairs), and extensive insurance obligations. The rent expense for the use of these properties is disclosed in the table within expenses.

During the year a wholly-owned Group subsidiary entered into a two year electricity supply contract valued at $1,908,142 with an entity which the Directors of the Company, KM Stokes AC and RK Stokes are Directors or Officers. The contract was awarded after a market tender process using an independent tendering contractor.

Loans and other transactions with Key Management Personnel

During the year a company associated with Director, Mr B McWilliam was party to a consulting agreement with the Group. Total fees paid during the year in relation to this consulting agreement totalled $250,000 (2013: $250,000). This amount is included in the remuneration disclosures.

Subsequent to 30 June 2014, a wholly-owned Group subsidiary reached an in-principle agreement with a director related entity to early terminate a take or pay contractual agreement for the use of an aircraft. The key terms of the agreement (which was due to expire on 30 June 2018) were disclosed in Part B of the merger scheme documentation. The Independent & Related Party Committee approved the early termination and payment of $3,047,000 was made on 13 August 2014 as final settlement of the agreement. The total value which would have been payable under the agreement was $11,481,888.

Remuneration Report

Year ended 30 June 2014

8. Legacy share-based remuneration

Performance Management Plan

Prior to the 2012 financial year, the variable remuneration plan for certain KMP Executives was called the Performance Management Plan (PMP). The PMP contained a deferred equity component under which selected executives received a portion of their total STI opportunity (subject to performance and to the extent that an EPS target was achieved in that year) in the form of ordinary shares in Seven Group Holdings Limited, for nil consideration.

Under the PMP, the EPS target was measured over the relevant financial year before significant items (subject to the Board's discretion). EPS was calculated by dividing the NPAT, after deducting TELYS4 dividends paid by the total weighted average number of shares the Company had issued. The measure took into account all the revenues, costs (including interest) and tax payable by the Company for the relevant year and did so on a per share basis.

The shares granted vested in three equal tranches over the three years following grant subject to continued service. The shares granted are held on trust for each executive. If an executive ceases employment with the Company due to death, redundancy, retirement, disability or permanent illness, an application can be made to the Board for unvested shares to be transferred to that participant along with shares that have already vested. If an executive ceases employment with the Company for any other reason, all unvested shares will be forfeited, unless the Board determines otherwise.

The shares granted under the PMP carry dividend and voting rights.

The details of outstanding shares to KMP Executives under the PMP are as follows:

KMP Executive	Number of shares granted	Grant date	Vesting date	Fair value per share	% vested in FY14	% forfeited in FY14
M Bryant	7,187	9 Nov 11	1 Oct 13	$8.23	100%	–
	7,187	9 Nov 11	1 Oct 14	$8.23	–	–
RK Stokes	7,593	9 Nov 11	1 Oct 13	$8.23	100%	–
	7,593	9 Nov 11	1 Oct 14	$8.23	–	–
JA Walker[(a)]	20,721	9 Nov 11	1 Oct 13	$8.23	100%	–
	20,721	9 Nov 11	1 Oct 14	$8.23	–	–

(a) Under the rules of the PMP, if an executive ceases employment with the Group for the reason of retirement, the shares are not forfeited, unless the Board determines otherwise. Mr Walker's unvested PMP shares that were granted in respect of the 2011 financial year remain on foot following his retirement on 31 January 2014, subject to their original vesting schedules. The value of unvested shares is included in Mr Walker's detailed remuneration within Share Based Payments in section 10 of the Remuneration Report.

Employee Share Option Plan

The legacy options described below were issued as replacement grants for the Seven Network Limited options that were held by KMP Executives at the time of the Seven Network Limited and WesTrac Holdings Pty Ltd scheme of arrangement under the Employee Share Option Plan (ESOP).

The options were issued under the ESOP on 28 April 2010, and were issued in consideration for the cancellation of previously-issued Seven Network Limited options on the same terms and were detailed in the Scheme Booklet for the Seven Network Limited and WesTrac Holdings Pty Ltd transaction. It was not appropriate for the Company to impose new incentive arrangements with different terms on executives when replacing the existing incentive entitlements as part of the implementation of the scheme.

The options were granted subject to a TSR performance condition (tested relative to the performance of the S&P/ASX 200 Accumulation Index), and all legacy options were either exercised, cancelled or expired during the FY14 year.

No further options have been granted under the ESOP since 28 April 2010.

All options have been exercised or have expired as at 30 June 2014. The details of options to KMP Executives under the ESOP held during FY14 are set out in the table on the following page.

Remuneration Report

Year ended 30 June 2014

KMP Executive	Tranche	Number of options granted	Vesting date	Expiry date	Exercise price	Fair value per option	% vested in FY14	% expired in FY14	% exercised in FY14	% cancelled in consideration for cash payment in FY14
DJ Leckie	1	1,500,000	30 Jun 10	30 Jun 14	$ 7.00	$ 1.21	–	–	33%	67%
	2	1,000,000	30 Jun 11	30 Jun 14	$ 8.00	$ 0.98	–	–	–	100%
	3	500,000	30 Jun 12	30 Jun 14	$ 9.00	$ 0.79	–	100%	–	–
BI McWilliam	2	500,000	30 Jun 12	30 Jun 14	$ 9.00	$ 0.79	–	100%	–	–

All options were granted on 28 April 2010 and were valued independently using a Monte Carlo Simulation.

During FY14 Mr Leckie exercised 500,000 options with an exercise price of $7.00. The value of the shares exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the options. The total value attributed to these options at the date of exercise was $564,140. No amounts remain unpaid in relation to the option exercise.

During FY14 the Company and Mr Leckie agreed to cancel 1,000,000 of Mr Leckie's options with an exercise price of $7.00 (Tranche 1) and to cancel 1,000,000 of Mr Leckie's options with an exercise price of $8.00 (Tranche 2). The value of consideration provided to Mr Leckie for the cancellation of the options was calculated as the market price of the options on the date of the agreement between the Company and Mr Leckie to cancel the options. The total value attributed to the 1,000,000 $7.00 options was $1,161,450. The total value attributed to the 1,000,000 $8.00 options was $1,100,000. No amounts remain unpaid in relation to the option cancellations.

Further information about the modification to the Employee Share Option Plan is included in section 6 of the Remuneration Report.

9. Summary of executive contracts

The key terms of the executive 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
DR Voelte AO	On-going	1 month	6 months	No contractual termination payments
M Bryant	2 years and 7 months[(a)]	Not applicable	Not applicable	No contractual termination payments
JE Croome	On-going	6 months	6 months	No contractual termination payments
DJ Leckie	2 years[(a)]	1 month	1 month	No contractual termination payments
RJ Richards	On-going	6 months	6 months	No contractual termination payments
RK Stokes	On-going	3 months	3 months	No contractual termination payments

(a) The employment contracts are currently on foot and variously part performed as to the duration of each of them. The contracts are terminable in the event of the KMP Executive's serious misconduct or a non-rectified material breach. Only remuneration which is due but unpaid up to the date of termination and normal statutory benefits will be paid to the employee in these circumstances.

Mr McWilliam and Ms Allibon are not directly employed by the Company however their services are provided under an agreement with Seven West Media Limited. Consequently Mr McWilliam and Ms Allibon do not have any applicable contract term, notice period or contractual termination payments.

There are no formal employment contracts for Non-Executive Directors.

Remuneration Report

Year ended 30 June 2014

10. Remuneration in detail

The following table sets out the remuneration details for the Group's KMP for the year ended 30 June 2014.

		Short-term benefits			Post- employment benefits
KMP[(a)]	Year	Salary & fees $	STI cash bonus $	Non-monetary benefits $	Superannuation benefits $
KM Stokes AC (Executive Chairman)	**2014**	**332,225**	**–**	**–**	**17,775**
	2013	350,000	–	–	–
PD Ritchie AO (Deputy Chairman)	**2014**	**212,225**	**–**	**–**	**17,775**
	2013	230,000	–	–	–
ED Boling (Non-Executive Director)	**2014**	**173,913**	**–**	**7,124**	**16,087**
	2013	190,000	–	–	–
TJ Davis (Non-Executive Director)	**2014**	**192,225**	**–**	**–**	**17,775**
	2013	193,530	–	–	16,470
CJ Mackay (Non-Executive Director)	**2014**	**173,913**	**–**	**–**	**16,087**
	2013	174,311	–	–	15,689
RA Uechtritz (Non-Executive Director)	**2014**	**173,913**	**–**	**–**	**16,087**
	2013	174,311	–	–	15,689
MC Wells (Non-Executive Director)	**2014**	**212,225**	**–**	**–**	**17,775**
	2013	230,000	–	–	–
PJT Gammell[(c)] (Group Chief Executive Officer) (resigned 28 June 2013)	**2014**	**–**	**–**	**–**	**–**
	2013	2,983,530	–	8,733	16,470
DR Voelte AO (Managing Director & Chief Executive Officer)	**2014**	**3,200,000**	**1,440,000**	**5,271**	**–**
	2013	–	–	–	–
MJ Allibon[(d)] (Group Executive, Human Resources) (appointed KMP 1 July 2013)	**2014**	**254,745**	**25,500**	**–**	**–**
	2013	–	–	–	–
M Bryant (Chief Executive Officer, WesTrac China) (appointed KMP 1 December 2013)	**2014**	**356,356**	**–**	**100,271**	**48,510**
	2013	–	–	–	–
JE Croome (Chief Executive Officer, WesTrac Australia (appointed 10 March 2014)	**2014**	**308,532**	**142,000**	**–**	**5,515**
	2013	–	–	–	–
AC Harrison[(e)] (Group Chief Financial Officer) (resigned 1 March 2013)	**2014**	**–**	**–**	**–**	**–**
	2013	475,163	–	–	11,233
DJ Leckie (Executive Director, Media) (resigned 22 August 2014)	**2014**	**982,225**	**–**	**57,668**	**17,775**
	2013	983,530	–	–	16,470

Remuneration Report

Year ended 30 June 2014

Other long-term benefits	Termination benefits	Share-based payments					
Long service leave and annual leave $	Termination benefits $	Options and rights over equity instruments granted as compensation[b] $	Deferred shares $	Cash settled share appreciation rights $	Total $	Remuneration performance related %	Value of share-based payments as % of remuneration %
–	**–**	**–**	**–**	**–**	**350,000**	**–**	**–**
–	–	–	–	–	350,000	–	–
–	**–**	**–**	**–**	**–**	**230,000**	**–**	**–**
–	–	–	–	–	230,000	–	–
–	**–**	**–**	**–**	**–**	**197,124**	**–**	**–**
–	–	–	–	–	190,000	–	–
–	**–**	**–**	**–**	**–**	**210,000**	**–**	**–**
–	–	–	–	–	210,000	–	–
–	**–**	**–**	**–**	**–**	**190,000**	**–**	**–**
–	–	–	–	–	190,000	–	–
–	**–**	**–**	**–**	**–**	**190,000**	**–**	**–**
–	–	–	–	–	190,000	–	–
–	**–**	**–**	**–**	**–**	**230,000**	**–**	**–**
–	–	–	–	–	230,000	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	926,398	–	320,833	–	4,255,964	8	8
49,231	**–**	**–**	**260,000**	**565,903**	**5,520,405**	**41**	**15**
–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**280,245**	**9**	**–**
–	–	–	–	–	–	–	–
34,483	**–**	**–**	**14,850**	**–**	**554,470**	**3**	**3**
–	–	–	–	–	–	–	–
23,743	**–**	**7,889**	**–**	**–**	**487,679**	**31**	**2**
–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	10,814	–	–	–	497,210	–	–
–	**–**	**–**	**–**	**–**	**1,057,668**	**–**	**–**
–	–	–	–	–	1,000,000	–	–

Remuneration Report

Year ended 30 June 2014

KMP[(a)]	Year	Short-term benefits Salary & fees $	STI cash bonus $	Non-monetary benefits $	Post- employment benefits Superannuation benefits $
BI McWilliam[(f)] (Commercial Director)	**2014**	**525,000**	**–**	**–**	**–**
	2013	525,000	–	–	–
RJ Richards (Group Chief Financial Officer) (appointed 1 October 2013)	**2014**	**586,669**	**276,000**	**2,824**	**13,331**
	2013	–	–	–	–
RK Stokes (Group Chief Operating Officer)	**2014**	**732,225**	**322,500**	**6,846**	**17,775**
	2013	733,530	90,000	–	16,470
JA Walker[(g)] (Chief Executive Officer, WesTrac Group) (retired 31 January 2014)	**2014**	**752,614**	**–**	**–**	**25,000**
	2013	1,389,400	–	4,983	25,000
Total KMP	**2014**	**9,169,005**	**2,206,000**	**180,004**	**247,267**
	2013	8,632,305	90,000	13,716	133,491

(a) In addition to KMP listed above, Mr Cooper was retained by the Company as Interim Group Chief Financial Officer through a company to company agreement with Deloitte prior to the appointment of Mr Richards as Group Chief Financial Officer. Fees paid to Deloitte in respect of Mr Cooper's services as Interim Group Chief Financial Officer in FY14 were $166,315 and in FY13 were $144,702.

(b) Expense relates to notional amounts included for the FY14 LTI award of performance rights which will be granted in FY15 in respect of FY14 performance.

(c) Termination benefit for Mr Gammell includes his statutory entitlement to accrued but untaken annual leave ($176,398) and three months' fixed remuneration in lieu of notice ($750,000).
Mr Gammell's 'Options and rights over equity instruments granted as compensation in prior years' amount includes $224,583 relating to amortisation relating to the FY13 year and $96,250 relating to amortisation that would have occurred in future years on shares that were determined by the Board to remain on foot subject to their original vesting schedules following the termination of his employment on 28 June 2013.

(d) Remuneration for Ms Allibon relates to amounts recharged by Seven West Media Limited to Seven Group Holdings Limited.

(e) The remuneration for Mr Harrison is for the period from 1 July 2012 until 1 March 2013. Termination benefit for Mr Harrison is his statutory entitlement to accrued, but untaken annual leave.

(f) Remuneration for Mr McWilliam includes $275,000 recharged by Seven West Media Limited to Seven Group Holdings Limited and payments to a company associated with Mr McWilliam that was party to a consulting agreement with the Group of $250,000.

(g) The remuneration for Mr Walker is for the period from 1 July 2013 until his retirement on 31 January 2014.
The termination benefit for Mr Walker is remuneration in lieu of notice that was payable by the Company to Mr Walker following the early termination of an agreement between the Company and Mr Walker to secure Mr Walker's services throughout the recruitment and transition period in replacing Mr Walker's position, following his decision to retire from the Company.
Mr Walker's 'Options and rights over equity instruments granted as compensation in prior years' amount relates to amortisation for the FY14 year and is inclusive of amortisation for Mr Walker's shares that remain on foot subject to their original vesting schedules following the termination of his employment on 31 January 2014. Further information about these share based payments is in section 8 of the Remuneration Report.

Remuneration Report
Year ended 30 June 2014

Other long-term benefits	Termination benefits	Share-based payments					
Long service leave and annual leave $	Termination benefits $	Options and rights over equity instruments granted as compensation[b] $	Deferred shares $	Cash settled share appreciation rights $	Total $	Remuneration performance related %	Value of share-based payments as % of remuneration %
–	**–**	**–**	**–**	**–**	**525,000**	**–**	**–**
–	–	–	–	–	525,000	–	–
6,154	**–**	**30,702**	**–**	**–**	**915,680**	**33**	**3**
–	–	–	–	–	–	–	–
–	**–**	**47,972**	**15,625**	**–**	**1,142,943**	**34**	**6**
–	–	–	36,458		876,458	14	4
(7,094)	**457,506**	**–**	**42,638**	**–**	**1,270,664**	**3**	**3**
22,444	–	–	99,488	–	1,541,315	6	6
106,517	**457,506**	**86,563**	**333,113**	**565,903**	**13,351,878**		
22,444	937,212	–	456,779	–	10,285,947		

Remuneration Report

Year ended 30 June 2014

11. Link between remuneration and Group performance

The remuneration framework of the Group is varied and is designed to offer appropriate rewards for those giving superior performance. It is designed to closely align their interests to those of shareholders and other stakeholders.

The remuneration structure is focused on achievement of the Group's financial and operating objectives. The incentive to achieve these objectives is an important contributing factor in the Group's financial performance and, ultimately, the value of the Company's shares and distributions to shareholders.

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

	2014	2013	2012	2011	2010[b]
Statutory NPAT ($000)	$262,540	$488,605	$176,748	$79,913	$718,742
NPAT (excluding significant items) ($000)[a]	$253,197	$398,853	$343,229	$248,278	$28,144
Significant items ($000)	($9,343)	($89,752)	$166,481	$168,365	$690,598
Dividends per ordinary share	40.0 cents	40.0 cents	38.0 cents	36.0 cents	18.0 cents
Share price at financial year / period end	$7.41[c]	$6.90	$7.74	$9.63	$5.74
Statutory basic EPS	$0.77	$1.49	$0.43	$0.12	$5.87
Underlying EPS	$0.74	$1.20	$0.98	$0.67	$0.09
Total Shareholder Return (per year)	12.9%	(6.5%)	(16.5%)	75.3%	(17.9)%

(a) NPAT (excluding significant items) is a non-IFRS measure. This measure is 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.

(b) The 2010 result incorporates only two months trade, subsequent to the merger of WesTrac Holdings Pty Ltd and Seven Network Limited; as such it is not comparable to the results of other years.

(c) On 11 December 2013, the Group announced it would undertake an on-market buy-back of up to 11.9 million of the Company's shares, representing approximately 3.86 per cent of the Company's ordinary shares. During the year ended 30 June 2014, 5,468,395 shares have been acquired on market at a total cost of $44,134,000 and subsequently cancelled.

Group performance is linked to the STI Plan through NPAT and EBIT targets. Group performance is linked to the LTI plan through the NPAT hurdle and the EPS and TSR targets.

End of audited Remuneration Report.

Directors' Report
Year ended 30 June 2014

Indemnity
The Constitution of the Company provides an indemnity to any current and 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 KPMG, 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 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.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. No amounts have been paid to other auditors.

Directors' Report

Year ended 30 June 2014

Amounts received or due and receivable by auditors of the Company for:

	2014 $	2013 $
Audit Services		
Auditors of the Company		
KPMG Australia		
– Audit and review of financial reports	670,400	665,000
– Other assurance services	15,000	23,500
Overseas KPMG firms		
– Audit and review of financial report	184,000	157,000
Total	**869,400**	**845,500**
Other Services		
Auditors of the Company		
KPMG Australia		
– Other advisory services	12,000	–
Overseas KPMG firms		
– Other tax and advisory services	42,560	63,300
Total	**54,560**	**63,300**

The lead auditor's independence declaration is set out on page 43 and forms part of the Directors' Report for the year ended 30 June 2014.

Rounding Off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in this report and the accompanying financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

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

KM Stokes AC
Executive Chairman

MC Wells
Chairman of the Audit & Risk Committee

Sydney
27 August 2014

Auditor's Independence Declaration

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

To: the directors of Seven Group Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

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

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

KPMG

KPMG

Kevin Leighton
Partner

Sydney

27 August 2014

Consolidated Income Statement

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue			
Revenue from product sales		1,583,532	3,207,274
Revenue from product support		1,476,947	1,517,299
Revenue from telephony		–	5,761
Other		27,720	21,296
Total revenue		**3,088,199**	**4,751,630**
Other income			
Dividend income		40,961	41,335
Gain on sale of property, plant and equipment		–	29,430
Net gain on sale of investments and equity accounted investees		41,237	65,924
Net gain on sale of subsidiary	27	–	8,364
Other investment income		25,736	23,545
Other		40,434	13,939
Total other income		**148,368**	**182,537**
Share of results from equity accounted investees	11	103,565	115,505
(Impairment)/impairment reversal of equity accounted investees	11	(42,175)	77,851
Expenses excluding depreciation and amortisation			
Materials cost of inventory sold and used in product sales and product support		(2,091,918)	(3,198,475)
Raw materials and consumables purchased		(84,717)	(135,114)
Employee benefits expense		(433,626)	(677,046)
Operating lease rental expense		(70,703)	(74,755)
Impairment of non-current assets	15	–	(9,464)
Fair value movement of derivatives		(1,757)	(10,440)
Other expenses		(204,035)	(238,770)
Total expenses excluding depreciation and amortisation		**(2,886,756)**	**(4,344,064)**
Depreciation and amortisation		(48,070)	(63,186)
Profit before net finance costs and tax		**363,131**	**720,273**
Finance income	5	46,715	24,006
Finance costs	5	(99,127)	(121,347)
Net finance costs		**(52,412)**	**(97,341)**
Profit before tax		**310,719**	**622,932**
Income tax expense	6	(48,179)	(134,327)
Profit for the year		**262,540**	**488,605**
Profit for the year attributable to:			
Equity holders of the Company		261,145	486,417
Non-controlling interest		1,395	2,188
Profit for the year		**262,540**	**488,605**

		2014 $	2013 $
Statutory earnings per share (EPS)			
Ordinary shares			
Basic earnings per share	8	0.77	1.49
Diluted earnings per share	8	0.77	1.49

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Profit for the year		**262,540**	**488,605**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets	21	55,219	111,220
Cash flow hedges: effective portion of changes in fair value	21	19,700	(49,761)
Foreign currency differences for foreign operations	21	(7,481)	76,549
Income tax on items of other comprehensive income	21	(24,054)	(26,150)
Total items that may be reclassified subsequently to profit or loss		**43,384**	**111,858**
Total comprehensive income for the year		**305,924**	**600,463**
Total comprehensive income for the year attributable to:			
Equity holders of the Company		304,546	598,023
Non-controlling interest		1,378	2,440
Total comprehensive income for the year		**305,924**	**600,463**

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

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	2014 $'000	2013 $'000
CURRENT ASSETS			
Cash and cash equivalents	32a	128,326	542,108
Trade and other receivables	9	598,952	719,809
Inventories	10	856,587	1,050,490
Other financial assets	13	129,185	–
Current tax assets		12,418	–
Other current assets		40,411	16,736
Derivative financial instruments	12	671	4,286
Total current assets		**1,766,550**	**2,333,429**
NON-CURRENT ASSETS			
Investments accounted for using the equity method	11	1,171,883	1,173,872
Trade and other receivables	9	–	1,770
Derivative financial instruments	12	61,106	67,575
Other financial assets	13	1,232,495	1,035,275
Property, plant and equipment	14	282,431	267,034
Intangible assets	15	874,816	765,205
Deferred tax assets	6	10,123	10,176
Total non-current assets		**3,632,854**	**3,320,907**
Total assets		**5,399,404**	**5,654,336**
CURRENT LIABILITIES			
Trade and other payables	16	398,992	516,775
Derivative financial instruments	12	8,028	51,313
Interest bearing loans and borrowings	17	36,078	180,750
Deferred income	19	82,651	128,700
Current tax liabilities		–	129,883
Provisions	18	105,347	138,306
Total current liabilities		**631,096**	**1,145,727**
NON-CURRENT LIABILITIES			
Other payables	16	623	–
Interest bearing loans and borrowings	17	1,161,587	1,074,720
Derivative financial instruments	12	83,420	72,324
Deferred tax liabilities	6	359,077	307,988
Provisions	18	5,899	1,446
Deferred income	19	14,952	16,797
Total non-current liabilities		**1,625,558**	**1,473,275**
Total liabilities		**2,256,654**	**2,619,002**
Net assets		**3,142,750**	**3,035,334**
EQUITY			
Contributed equity	20	2,586,218	2,630,352
Reserves	21	(557,663)	(597,434)
Retained earnings	22	1,102,267	990,053
Total equity attributable to equity holders of the Company		**3,130,822**	**3,022,971**
Non-controlling interest		11,928	12,363
Total equity		**3,142,750**	**3,035,334**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
YEAR ENDED 30 JUNE 2014							
Balance as at 1 July 2013		**2,630,352**	**(597,434)**	**990,053**	**3,022,971**	**12,363**	**3,035,334**
Profit for the year		–	–	261,145	261,145	1,395	262,540
Net change in fair value of available-for-sale financial assets	21	–	55,219	–	55,219	–	55,219
Cash flow hedges: effective portion of changes in fair value	21	–	19,700	–	19,700	–	19,700
Foreign currency differences for foreign operations	21	–	(7,464)	–	(7,464)	(17)	(7,481)
Income tax on items of other comprehensive income	21	–	(24,054)	–	(24,054)	–	(24,054)
Total comprehensive income for the year		**–**	**43,401**	**261,145**	**304,546**	**1,378**	**305,924**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	7	–	–	(123,103)	(123,103)	(1,813)	(124,916)
TELYS4 dividends paid	7	–	–	(25,828)	(25,828)	–	(25,828)
Shares bought back on-market	20	(44,134)	–	–	(44,134)	–	(44,134)
Share based payments		–	(803)	–	(803)	–	(803)
Share based payment options settled	21	–	(2,827)	–	(2,827)	–	(2,827)
Total contributions by and distributions to owners		**(44,134)**	**(3,630)**	**(148,931)**	**(196,695)**	**(1,813)**	**(198,508)**
Total movement in equity for the year		**(44,134)**	**39,771**	**112,214**	**107,851**	**(435)**	**107,416**
Balance as at 30 June 2014		**2,586,218**	**(557,663)**	**1,102,267**	**3,130,822**	**11,928**	**3,142,750**
YEAR ENDED 30 JUNE 2013							
Balance as at 1 July 2012		**2,624,102**	**(710,120)**	**654,523**	**2,568,505**	**11,318**	**2,579,823**
Profit for the year		–	–	486,417	486,417	2,188	488,605
Net change in fair value of available-for-sale financial assets	21	–	111,220	–	111,220	–	111,220
Cash flow hedges: effective portion of changes in fair value	21	–	(49,761)	–	(49,761)	–	(49,761)
Foreign currency differences for foreign operations	21	–	76,297	–	76,297	252	76,549
Income tax on items of other comprehensive income	21	–	(26,150)	–	(26,150)	–	(26,150)
Total comprehensive income for the year		**–**	**111,606**	**486,417**	**598,023**	**2,440**	**600,463**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	7	–	–	(123,114)	(123,114)	(1,395)	(124,509)
TELYS4 dividends paid	7	–	–	(27,773)	(27,773)	–	(27,773)
Issue of ordinary shares related to exercise of options	20	6,250	–	–	6,250	–	6,250
Share based payments	21	–	1,080	–	1,080	–	1,080
Total contributions by and distributions to owners		**6,250**	**1,080**	**(150,887)**	**(143,557)**	**(1,395)**	**(144,952)**
Total movement in equity for the year		**6,250**	**112,686**	**335,530**	**454,466**	**1,045**	**455,511**
Balance as at 30 June 2013		**2,630,352**	**(597,434)**	**990,053**	**3,022,971**	**12,363**	**3,035,334**

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 2014

	Note	2014 $'000	2013 $'000
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Receipts from customers		3,570,311	5,368,589
Payments to suppliers and employees		(3,209,927)	(4,433,393)
Dividends received from equity accounted investees		42,620	49,616
Other dividends received		43,631	41,335
Interest and other items of a similar nature received		22,254	13,136
Interest and other costs of finance paid		(88,851)	(115,049)
Income taxes paid		(156,507)	(102,334)
Income tax funding received from associate		21,368	18,554
Net operating cash flows	32b	**244,899**	**840,454**
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment		(63,658)	(50,680)
Proceeds from sale of property, plant and equipment		7,119	41,192
Payments for purchase of intangible assets		(27,776)	(4,474)
Consideration for business combinations, net of cash acquired	26	(103,146)	26,412
Proceeds from sale of subsidiary, net of cash disposed	27	–	9,100
Acquisition of equity accounted investees		–	(182,353)
Return of capital from investment in equity accounted investee		21,050	–
Proceeds from sale of shares in equity accounted investees		1,755	491,270
Deferred consideration from sale of subsidiary		60,000	–
Payments for other investments		(519,703)	(80,607)
Proceeds from sale of other financial assets		232,578	111,102
Loans and deposits received		4,038	119
Net investing cash flows		**(387,743)**	**361,081**
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Proceeds from issue of shares	20	–	6,250
Payments under share buy-back	20	(44,134)	–
Ordinary dividends paid	7	(123,103)	(123,114)
TELYS4 dividends paid	7	(25,828)	(27,773)
Dividend paid to non-controlling interest		(1,813)	(1,395)
Proceeds from borrowings		451,743	842,478
Repayment of borrowings		(527,048)	(1,486,630)
Net financing cash flows		**(270,183)**	**(790,184)**
Net (decrease)/increase in cash and cash equivalents		**(413,027)**	**411,351**
Cash and cash equivalents at beginning of the year	32a	542,108	127,749
Effect of exchange rate changes on cash and cash equivalents		(755)	3,008
Cash and cash equivalents at end of the year	32a	**128,326**	**542,108**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 and was incorporated on 12 February 2010. These consolidated financial statements cover the year ended 30 June 2014 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 27 August 2014.

(A) BASIS OF PREPARATION

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 which are measured at their fair value:

- derivative financial instruments at fair value through profit or loss; and
- investments in available-for-sale financial assets.

The accounting policies set out below have been consistently applied by group entities and equity accounted investees.

Certain comparative amounts in this financial report have been reclassified to conform to the current year's presentation.

(B) PRINCIPLES OF CONSOLIDATION

(i) 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 the 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 can not be recovered.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Non-controlling interests in the equity and the results of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

Business combinations are accounted for in accordance with Note 1(C).

(ii) Associates

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.

Investments in associates are accounted for using the equity method after initially being recognised at cost.

(iii) Joint arrangements

Joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

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. Investments in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated statement of financial position.

(iv) Investments accounted for using the equity method

The Group's investment 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) PRINCIPLES OF CONSOLIDATION (CONTINUED)

(iv) Investments accounted for using the equity method (continued)

Dividends received or receivable from associates and joint ventures 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.

(C) BUSINESS COMBINATIONS

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control (refer Note 1(B)(i)) of the other combining entities or businesses. The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

The fair value of the identifiable assets is based on valuations performed by independent experts.

(i) Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. If the cost of the acquisition is less than the Group's share of the fair value of the identifiable net assets of the acquiree, the difference is recognised directly in profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired. Any goodwill that arises is tested annually for impairment.

(ii) Contingent liabilities

A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

(iii) Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

(iv) Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, stamp duties and other professional and consulting fees are expensed as incurred.

(D) FOREIGN CURRENCY TRANSLATION

(i) 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.

(ii) 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 reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, 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 such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Foreign Group entities

The results and financial position of all the Group entities (none of which has 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 for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses of foreign operations 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 transactions); and
- all resulting exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income and presented in the foreign currency translation reserve. When a foreign operation 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 entities and translated at the closing rate.

(E) REVENUE RECOGNITION

Revenues are recognised at the fair value of the consideration received or receivable, net of goods and services tax (GST). Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

Sales revenue comprises revenue earned from the provision of goods and services to entities outside of the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for major business activities as follows:

(i) Revenue from product sales

Revenue from product sales is recognised upon the delivery of goods to customers:

- when risks and rewards have been transferred which is considered to occur upon the delivery of goods to customers; and
- there is no significant unfulfilled obligation that could affect the customer's acceptance of the products.

(ii) Revenue from product support

Revenue from product support is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised under the percentage of completion method, based on the actual services provided as a proportion of the total services to be provided.

(iii) Maintenance and repair contracts (MARC)

Contract revenues and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a MARC, the excess of total expected contract costs over total expected contract revenue is recognised as an expense immediately.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of the costs incurred.

(iv) Revenue from telephony

Revenue from telephony relates to the provision of telecommunication services and is recognised net of returns, trade allowances and duties and taxes paid. Fees for monthly access plans which are charged monthly in advance are allocated to the appropriate calendar month. Any income in advance at the end of an accounting period is not recognised as revenue in the consolidated income statement, and is held as deferred income in the statement of financial position.

(v) Other revenue

Other revenue comprises sundry income and is earned when goods and services are rendered.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

(vi) Dividend income

Dividend income is recognised net of any franking credits. 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.

(F) TAXATION

Income tax expense is comprised of 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) TAXATION (CONTINUED)

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, the 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 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 where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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; such changes to tax liabilities will impact tax expense in the period that 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.

(G) IMPAIRMENT OF 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. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or cash generating unit (CGU) is the greater of its value in use and its fair value less costs 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 the profit or loss.

(H) CASH AND CASH EQUIVALENTS

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

(I) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are generally due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment provision for receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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. The amount of the provision is recognised in the income statement.

Other receivables are reviewed on an ongoing basis and are written down to their recoverable amount when this amount is in excess of their carrying value.

(J) INVENTORIES

Raw materials and stores, work in progress and finished goods 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. In the prior period, cost of work in progress included an appropriate share of both variable and fixed costs, with fixed costs allocated on the basis of normal operating capacity.

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.

(K) INVESTMENTS AND OTHER FINANCIAL ASSETS

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans receivable, held to maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at each reporting date.

(i) 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 as hedges.

(ii) Loans receivable

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans receivable are included in other financial assets in the statement of financial position.

The Group considers evidence of impairment for financial assets measured at amortised cost (loans receivable and held to maturity investments) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Loans receivable are carried at amortised cost using the effective interest method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, principally comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment.

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.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income and presented in the fair value reserve are recycled to profit or loss as gains and losses from investment securities.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(iii) Available-for-sale financial assets(continued)

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss 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 available-for-sale financial assets category are taken to the fair value reserve. Amounts are recognised in profit or loss when the associated assets are sold or impaired.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered objective evidence of impairment. The Group considers a decline of 30 per cent to be significant and a period of 12 months to be prolonged. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from the fair value reserve in equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the profit or loss but are recognised in other comprehensive income and presented in the fair value reserve.

(L) DERIVATIVES

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.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the 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 the profit or loss within finance costs, 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 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.

(ii) 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 the 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 the profit or loss within finance costs. 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 fixed assets), 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 fixed assets.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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 the profit or loss.

(iii) 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.

(M) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is measured at historical cost less accumulated depreciation and accumulated 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 are charged to profit or loss during the reporting period in which they are incurred.

Freehold land is not depreciated. 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
Plant and equipment	2 – 12 years
Leasehold improvements	1 – 25 years
Leased plant and equipment	2 – 12 years

Rental fleet assets are depreciated on a reducing balance method at a rate of 30%.

Depreciation on production assets is calculated using the unit of production basis.

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

The assets' residual values and useful lives 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. These are included in profit or loss.

(N) OIL AND NATURAL GAS EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Oil and natural gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

(i) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

(ii) Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalised in intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to producing and development assets.

(iii) Exploration and evaluation costs

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 intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Geological and geophysical costs are recognised in profit or loss as incurred.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through profit or loss 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 intangible 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 intangible asset.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) OIL AND NATURAL GAS EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE (CONTINUED)

(iii) Exploration and evaluation costs (continued)

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. 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 written off through profit or loss. When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. 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.

(iv) 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.

(v) Depreciation/amortisation

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.

(vi) Provision for 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 and is reassessed each year in accordance with local conditions and requirements. This therefore requires management 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. Changes in the estimates of restoration cost estimate are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the restoration asset.

(O) INTANGIBLE ASSETS

(i) 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 in equity accounted investees. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation by each primary reporting segment.

(ii) 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.

(P) TRADE AND OTHER PAYABLES

These amounts are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within normal trading terms.

(Q) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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.

(R) PROVISIONS

Provisions for restructuring costs, legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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.

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 operating leases or other onerous contracts.

Where there are a number of similar obligations, the likelihood that an outflow will be required in 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.

(S) EMPLOYEE BENEFITS

(i) 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.

(ii) 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 national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) 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.

(iv) 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(T) 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 with 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.

(U) 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.

(V) TRANSFERABLE EXTENDABLE LISTED YIELD SHARES (TELYS4)

TELYS4 have been classified as equity and the dividend payable on the TELYS4 is treated as a distribution of shareholders equity. The consolidated statement of comprehensive income does not include the dividends on TELYS4.

(W) OPERATING SEGMENTS

The Group has determined and presented operating segments based on the information that internally is provided to executive management (the chief operating decision maker) and the Board.

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 for which discrete financial information is available.

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 period to acquire property, plant and equipment and intangible assets other than goodwill.

(X) EARNINGS PER SHARE (EPS)

The Group presents basic and diluted EPS data for its ordinary shares. Basic 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 period. 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.

Profit or loss attributable to ordinary shareholders is stated after allocation of the portion of profit or loss attributable to holders of TELYS4.

(Y) FINANCE INCOME AND COSTS

Net finance expense comprises interest payable on borrowings calculated using the effective interest method and interest receivable on funds invested. Finance income includes the unwind of discount in relation to deferred consideration.

Interest income and interest expense also include components of finance lease payments and is recognised in the income statement as it accrues, using the effective interest method.

(Z) CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- AASB 10 *Consolidated Financial Statements* (2011) (refer (i))
- AASB 11 *Joint Arrangements* (refer (ii))
- AASB 12 *Disclosure of Interests in Other Entities* (refer (iii))
- AASB 13 *Fair Value Measurement* (refer (iv))
- AASB 2013-3 Amendments to AASB 136 – *Recoverable Amount Disclosures for Non-Financial Assets* (refer (v))
- AASB 119 *Employee Benefits* (2011) and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (2011) (refer (vi))

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

(i) Subsidiaries

AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 requires the Group to consolidate investees that it controls on the basis of de facto circumstances. As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. The Group reassessed its control conclusions for its investees as at 1 July 2013. There has been no change in the Group's accounting treatment from adopting this standard.

(ii) Joint arrangements

Under AASB 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification. The Group reassessed its involvement in its joint arrangements and accordingly reclassified the investments from jointly controlled entities to joint ventures. The Group continues to apply the equity method of accounting. There has been no change in the Group's accounting treatment from adopting this standard.

(iii) Disclosure of interests in other entities

The Group has expanded its disclosure about equity accounted investees (refer Note 11) and interests in subsidiaries (refer Note 25) from the introduction of AASB 12. There has been no change in the Group's accounting treatment from adopting this standard.

(iv) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(v) AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

The Group has early adopted AASB 2013-3. As a result, the Group is only required to disclose the recoverable amount of impaired assets, rather than the recoverable amount for each cash generating unit (CGU) which held significant goodwill or intangible assets with indefinite useful lives.

(vi) Employee benefits

The introduction of AASB 119 (2011) changes the definition of short-term and long-term employee benefits. There was no material impact on the Group's financial statements from adopting this standard.

(AA) NEW ACCOUNTING STANDARDS

A number of new standards, amendments to standards and interpretations are effective for future reporting periods.

These have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt this standard early and is yet to determine the effect of the standard on the Group.

AASB 9 *Financial Instruments (2010), IFRS 9 Financial Instruments (2009)*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and also sets out new rules for hedge accounting. It is mandatory for the Group's 30 June 2016 financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the 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. They 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 below. These areas involve a higher degree of judgement and/or complexity.

(i) Revenue recognition – MARC

Contract revenues and expenses are recognised by reference to the percentage of completion method for each identifiable component. In determining revenue and expense for MARC, management makes assumptions and estimates regarding the work performed to date as percentage of the total work to be performed and estimated revenues and expenses over the life of the contract. Where contract variations are recognised in revenue, assumptions are made regarding the probability that customers will approve those contract variations and the amount of revenue arising from contract variations.

(ii) Income tax

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. 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 recorded in the statement of financial position. In these circumstances the carrying amount of deferred tax assets may change impacting the profit or loss of the Group.

(iii) Impairment of non-current assets (including investments accounted for using the equity method and 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 (refer Note 2 (iv)), 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. Refer to Note 15 for further information on intangible assets and Note 11 for further information on investments accounted for using the equity method.

(iv) Impairment of available-for-sale financial assets and listed equity accounted investees

In determining the amount of impairment for available-for-sale financial assets and 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. The Group considers a decline of 30 per cent to be significant and a period of 12 months to be prolonged.

(v) Interests in other entities

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 exists, the nature and structure of the relationship and other facts and circumstances.

(vi) Dependency on key suppliers

The Group is dependent on Caterpillar to maintain its authorisation as an authorised dealer of Caterpillar equipment and parts in its Western Australia, New South Wales/ACT and North Eastern China Service Territories. WesTrac Group has maintained a strong relationship with Caterpillar and although WesTrac Group 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 also 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 Group. This has not in the past proven to be an impediment to the WesTrac Group.

Management judgement is therefore required to estimate the impact of the loss of key suppliers on future earnings, supporting existing goodwill and intangible assets.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

(vii) Nexus Energy Limited (Nexus) transaction

On 6 August 2014, the administrators of Nexus announced that only one offer was generated through the company's sale process. The sole offer was a proposed Deed of Company Arrangement (DOCA) from a wholly-owned Group subsidiary, SGH Energy (No 2) Pty Ltd. The key terms of the DOCA included the repayment of the Nexus senior debt in full, trade creditors and employee priority claims paid in full, subordinated note holders to receive 74.5 cents in the dollar for principal and accrued interest and settlement of Sedco Forex International Inc's (Sedco) claims against Nexus for $30,000,000.

Nexus creditors subsequently resolved to execute the DOCA at the second meeting of Nexus creditors on 11 August 2014. Completion of the DOCA by Nexus is required to occur within 15 business days of the second creditors meeting (i.e. by 1 September 2014) and is also subject to several conditions precedent, specifically, a Court order under section 444GA of the Corporations Act, Australian Securities and Investments Commission (ASIC) approval and execution of a settlement deed by Sedco. Should the DOCA fail to be executed, there is potentially a risk that the carrying value of the Group's loans receivable from Nexus are not fully recovered on a liquidation basis.

(viii) 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.

(ix) Estimates on reserve quantities

The estimated quantities of proven plus probable reserves are integral to the calculation of amortisation expense and the assessment of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of technical feasibility and commercial viability of producing the reserves. These estimates require assumptions to be made regarding future development and production costs, commodity prices and exchange rates. The estimates of reserves may change from period to period, and as additional geological data is generated during the course of the operations. Reserve estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

3. OPERATING SEGMENTS

REPORTABLE SEGMENTS

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 (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

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 Australia – WesTrac Australia is the authorised Caterpillar dealer in Western Australia, New South Wales and the Australian Capital Territory, providing heavy equipment sales and support to customers.
- WesTrac China – WesTrac China is the authorised Caterpillar dealer in the North Eastern China provinces of Hebei, Liaoning, Heilongjiang, Jilin, Shanxi, Inner Mongolia and the municipalities of Beijing and Tianjin, providing heavy equipment sales and support to customers.
- AllightSykes – represents the Group's operations in the manufacture, assembly, sales and support of lighting, power generation and dewatering equipment as well as distribution of Perkins engines, via National Hire's investment in Allight Holdings Pty Ltd and The Sykes Group.
- Coates Hire – represents the Group's equity accounted investment in Coates Group Holdings Pty Limited. Coates Hire is Australia's largest 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.
- Media investments – relates to investments in listed and unlisted media organisations, including but not limited to, Seven West Media Limited and Consolidated Media Holdings Limited (up to disposal on 21 November 2012).
- Other investments – incorporates listed investments, property and operations in telephony (up until the sale of Engin in September 2012).

The Group is domiciled in Australia and operates predominantly in two countries, Australia and China. Segment revenues are allocated based on the country in which the customer is located. The WesTrac China segment represents all revenue derived from China.

Accounting policies

The accounting policies used by the Group in reporting segments internally are the same as those described in Note 1.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

3. OPERATING SEGMENTS (CONTINUED)

	WesTrac[d] Australia $'000	WesTrac China $'000	Allight[d] Sykes $'000	Coates Hire $'000	Media[e] investments $'000	Other investments $'000	Total $'000
YEAR ENDED 30 JUNE 2014							
Sales to external customers	2,377,353	616,379	94,467	–	–	–	3,088,199
Segment result							
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)[a][c]	238,834	27,684	1,805	26,295	103,128	43,452	441,198
Depreciation and amortisation	(36,012)	(6,906)	(4,619)	–	–	(533)	(48,070)
Segment earnings before interest and tax (EBIT)[b][c]	**202,822**	**20,778**	**(2,814)**	**26,295**	**103,128**	**42,919**	**393,128**
Other segment information							
Capital expenditure	(10,598)	(4,567)	(1,527)	–	–	(3,967)	(20,659)
Share of results of equity accounted investees included in segment EBIT (excluding significant items)[c]	2,849	(635)	–	23,795	74,347	4,074	104,430
Impairment of assets recognised in profit or loss	–	–	–	–	(42,175)	–	(42,175)
Investments accounted for using the equity method	27,078	–	–	452,270	661,804	30,731	1,171,883
Other segment assets	1,641,090	676,613	130,267	–	357,009	948,974	3,753,953
Segment assets	**1,668,168**	**676,613**	**130,267**	**452,270**	**1,018,813**	**979,705**	**4,925,836**
Segment liabilities	**(367,098)**	**(149,105)**	**(15,234)**	**–**	**–**	**(17,274)**	**(548,711)**
YEAR ENDED 30 JUNE 2013							
Sales to external customers	4,105,593	484,454	155,822	–	–	5,761	4,751,630
Segment result							
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)[a][c]	497,273	5,642	3,456	47,778	105,835	37,761	697,745
Depreciation and amortisation	(50,596)	(8,095)	(4,025)	–	–	(470)	(63,186)
Segment earnings before interest and tax (EBIT)[b][c]	**446,677**	**(2,453)**	**(569)**	**47,778**	**105,835**	**37,291**	**634,559**
Other segment information							
Capital expenditure	(43,627)	(1,745)	(6,132)	–	–	(3,650)	(55,154)
Share of results of equity accounted investees included in segment EBIT (excluding significant items)[c]	2,948	(203)	–	43,128	79,245	–	125,118
Impairment of assets recognised in profit or loss	(9,464)	–	–	–	77,851	–	68,387
Investments accounted for using the equity method	24,229	3,969	–	430,221	670,628	44,825	1,173,872
Other segment assets	1,870,729	702,078	151,233	–	318,607	807,145	3,849,792
Segment assets	**1,894,958**	**706,047**	**151,233**	**430,221**	**989,235**	**851,970**	**5,023,664**
Segment liabilities	**(581,480)**	**(140,104)**	**(23,669)**	**–**	**–**	**(20,358)**	**(765,611)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	2014 $'000	2013 $'000
Reconciliation of segment EBIT to net profit before tax per consolidated income statement		
Segment net operating profit before net finance costs and tax (EBIT)	393,128	634,559
Corporate operating costs and transaction related costs	(18,733)	(11,725)
Gain on sale of property, plant and equipment	–	29,430
Net gain on sale of investments and equity accounted investees	41,237	65,924
Net gain on sale of subsidiary	–	8,364
Share of significant items relating to results from equity accounted investees	(865)	(9,613)
Fair value movement of derivatives	(1,757)	(10,440)
(Impairment)/impairment reversal of equity accounted investees	(42,175)	77,851
Impairment of non-current assets	–	(9,464)
Restructuring and redundancy costs	(15,804)	(54,613)
Other significant items	8,100	–
Net finance costs	(52,412)	(97,341)
Profit before tax per consolidated income statement	**310,719**	**622,932**
Reconciliation of segment operating assets to total assets per consolidated statement of financial position		
Segment operating assets	4,925,836	5,023,664
Corporate cash holdings	128,326	542,108
Current tax assets	12,418	–
Deferred tax assets	10,123	10,176
Derivative financial instruments	61,777	71,861
Assets held at corporate level	260,924	6,527
Total assets per consolidated statement of financial position	**5,399,404**	**5,654,336**

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is $604,824,000 (2013: $640,611,000). The total of non-current assets located in China is $481,648,000 (2013: $403,299,000) and the United States of America is $70,775,000 (2013: nil). Segment assets are allocated to countries based on where the assets are located.

	2014 $'000	2013 $'000
Reconciliation of segment operating liabilities to total liabilities per consolidated statement of financial position		
Segment operating liabilities	(548,711)	(765,611)
Liabilities held at corporate level	(59,753)	(36,413)
Derivative financial instruments	(91,448)	(123,637)
Current interest bearing loans and borrowings	(36,078)	(180,750)
Non-current interest bearing loans and borrowings	(1,161,587)	(1,074,720)
Current tax liabilities	–	(129,883)
Deferred tax liabilities	(359,077)	(307,988)
Total liabilities per consolidated statement of financial position	**(2,256,654)**	**(2,619,002)**

(a) Segment EBITDA comprises profit before depreciation and amortisation, net finance costs, tax and significant items. Significant items are disclosed in Note 4.
(b) Segment EBIT comprises profit before net finance costs, tax and significant items. Significant items are disclosed in Note 4.
(c) Coates Hire segment EBITDA, EBIT and share of results of equity accounted investees excludes share of results from equity accounted investees attributable to significant items.
(d) WesTrac Australia and AllightSykes results above have been reduced in relation to the elimination of sales to Coates Hire, due to the Group's 45% interest in Coates Hire.
(e) Media investments comprise investments accounted for using the equity method and available-for-sale financial assets.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

4. SIGNIFICANT ITEMS

Profit before tax includes the following income and expenses for which disclosure is relevant in explaining the underlying financial performance of the Group.

	2014 $'000	2013 $'000
SIGNIFICANT ITEMS		
Net gain on sale of property, plant and equipment	–	29,430
Net gain on sale of investments and equity accounted investees	41,237	65,924
Net gain on sale of subsidiary	–	8,364
(Impairment)/impairment reversal of equity accounted investees	(42,175)	77,851
Share of results from equity accounted investees attributable to significant items	(865)	(9,613)
Impairment of non-current assets	–	(9,464)
Fair value movement of derivatives	(1,757)	(10,440)
Restructuring and redundancy costs	(15,804)	(54,270)
Significant items in finance income	19,763	11,500
Other	8,100	(343)
Income tax benefit/(expense) on significant items	844	(19,187)
Total significant items	**9,343**	**89,752**

Net gain on sale of property, plant and equipment relates to the realised profit on the sale of the first three sites of the Kings Square property development in Perth, Western Australia in the prior year.

Net gain on sale of investments and equity accounted investees relates to the net realised profit on sale of available-for-sale financial assets and equity accounted investees.

Net gain on sale of subsidiary relates to the net profit realised on sale of Engin in the prior year.

(Impairment)/impairment reversal of equity accounted investees relates to the impairment charge/(reversal) of the Group's investment in Seven West Media Limited.

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.

Impairment of non-current assets relates to the impairment of a Group subsidiary whose operations ceased in the prior year.

Fair value movement of derivatives relates to the Group's derivatives not used as part of a designated hedge.

Restructuring and redundancy costs relate to the restructuring programs undertaken by WesTrac Australia, WesTrac China and AllightSykes.

Significant items in finance income comprises the unwind of discount to reflect the cash received during the year from deferred proceeds on sale of vividwireless, finance fee income relating to the loans receivable from Nexus and financial guarantee fee income received from equity accounted investees.

Other relates to one-off transactions including legal settlements received and acquisition costs refunded or incurred.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

5. NET FINANCE EXPENSE

	2014 $'000	2013 $'000
FINANCE INCOME		
Interest income on bank deposits	23,017	11,218
Interest income on loans receivable	3,846	–
Fair value unwind of deferred consideration	8,600	11,500
Financial guarantee fee income from equity accounted investee	4,000	–
Finance fee income – Nexus	7,163	–
Other	89	1,288
Total finance income	**46,715**	**24,006**
FINANCE COSTS		
Interest expense	(90,527)	(109,565)
Borrowing costs	(8,600)	(11,782)
Total finance costs	**(99,127)**	**(121,347)**
Net finance expense	**(52,412)**	**(97,341)**

6. INCOME TAX

	Note	2014 $'000	2013 $'000
INCOME TAX EXPENSE			
Current tax expense		(30,253)	(153,675)
Deferred tax expense		(27,725)	(4,735)
Adjustment for prior years – non-temporary differences		9,799	24,083
Total income tax expense in consolidated income statement		**(48,179)**	**(134,327)**
RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX STATUTORY PROFIT:			
Income tax using the domestic corporation tax rate 30%		(93,216)	(186,879)
Recognition of deferred tax asset on capital and revenue losses, not previously recognised[(a)]		20	739
Remeasurement of deferred tax assets and deferred tax liabilities		–	11,161
Franked dividends		22,847	21,270
Share of equity accounted investee's net profit		6,610	884
Non-taxable capital gain		4,522	–
Non-assessable income		4,231	–
Non-deductible expenses		(4,663)	(3,286)
Other assessable income		(180)	(2,246)
Under provided in prior years		9,799	24,083
Difference in overseas tax rates		1,851	(53)
Income tax expense		**(48,179)**	**(134,327)**
DEFERRED INCOME TAX RECOGNISED DIRECTLY IN EQUITY			
Relating to available-for-sale financial assets	21	(18,916)	(43,127)
Relating to cash flow hedge reserve	21	(5,138)	16,977
Relating to foreign currency translation reserve		637	950
Total deferred income tax recognised directly in equity		**(23,417)**	**(25,200)**

(a) prior year capital and revenue losses where a deferred tax asset was not previously recognised was utilised in the current year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

6. INCOME TAX (CONTINUED)

	Opening balance $'000	Recognised in profit $'000	Recognised in equity $'000	Other[(a)] $'000	Closing balance $'000
YEAR ENDED 30 JUNE 2014					
DEFERRED TAX ASSETS AND LIABILITIES					
Investments	(368,963)	(1,858)	(18,916)	–	(389,737)
Derivative financial instruments	(1,787)	2,103	(5,138)	–	(4,822)
Inventories and receivables	32,150	(24,466)	–	–	7,684
Intangible assets	(19,496)	778	–	–	(18,718)
Property, plant and equipment	(3,005)	1,283	–	–	(1,722)
Trade and other payables	31,639	4,014	–	–	35,653
Prepayments	432	(438)	–	–	(6)
Provisions	19,838	(959)	–	–	18,879
Transaction costs deducted over five years	4,376	(2,825)	–	–	1,551
Other	7,004	(5,357)	637	–	2,284
Net tax liability	**(297,812)**	**(27,725)**	**(23,417)**	**–**	**(348,954)**
Deferred tax asset					10,123
Deferred tax liability					(359,077)
Net deferred tax liability					**(348,954)**
YEAR ENDED 30 JUNE 2013					
DEFERRED TAX ASSETS AND LIABILITIES					
Investments	(298,017)	(27,819)	(43,127)	–	(368,963)
Derivative financial instruments	(11,955)	(6,809)	16,977	–	(1,787)
Inventories and receivables	7,292	24,858	–	–	32,150
Intangible assets	(17,983)	(1,513)	–	–	(19,496)
Property, plant and equipment	(6,446)	3,441	–	–	(3,005)
Trade and other payables	30,317	1,568	–	(246)	31,639
Prepayments	(153)	585	–	–	432
Provisions	19,978	105	–	(245)	19,838
Transaction costs deducted over five years	6,544	(2,168)	–	–	4,376
Other	3,037	3,017	950	–	7,004
Net tax liability	**(267,386)**	**(4,735)**	**(25,200)**	**(491)**	**(297,812)**
Deferred tax asset					10,176
Deferred tax liability					(307,988)
Net deferred tax liability					**(297,812)**

(a) prior year amounts relate to deferred tax balances previously recognised by a Group subsidiary sold during the year.

As at 30 June 2014, the Group had not recognised:

- deferred tax assets of $122,354,000 (2013: $120,899,000) for deductible temporary differences relating to unrealised capital losses as it was not probable that future capital gains will be realised against which it could utilise the benefits; and
- deferred tax liabilities of $1,525,000 (2013: $1,525,000) 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.

The Company has a number of outstanding tax positions that are currently under review and objection with the relevant taxation authorities. Successful resolution of these matters could potentially result in the realisation of significant tax benefits for the Group. These outstanding tax positions are yet to meet the recognition requirements of actual or contingent assets.

The Company and a number of its wholly owned subsidiaries are the subject of risk reviews by Australian and overseas taxation authorities. These reviews are in the ordinary course of business.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

7. DIVIDENDS

	Date of payment	Franked / unfranked	Amount per share	Total $'000
YEAR ENDED 30 JUNE 2014				
DIVIDENDS PAID				
Ordinary shares				
Final dividend in respect of 2013 year	11 Oct 13	Franked	$0.20	61,632
Interim dividend	11 Apr 14	Franked	$0.20	61,471
				123,103
Transferable Extendable Listed Yield Shares (TELYS4)				
Dividend	2 Dec 13	Franked	$2.64	13,117
Dividend	2 Jun 14	Franked	$2.56	12,711
				25,828
Subsequent event				
Current period final dividend on ordinary shares proposed but not provided for				
Ordinary shares				
Final dividend in respect of 2014 year		Franked	$0.20	60,538
Balance of franking account at 30%				225,870
YEAR ENDED 30 JUNE 2013				
DIVIDENDS PAID				
Ordinary shares				
Final dividend in respect of 2012 year	12 Oct 12	Franked	$0.20	61,482
Interim dividend	12 Apr 13	Franked	$0.20	61,632
				123,114
Transferable Extendable Listed Yield Shares (TELYS4)				
Dividend	30 Nov 12	Franked	$2.81	13,948
Dividend	31 May 13	Franked	$2.79	13,825
				27,773
Ordinary shares				
Final dividend in respect of 2013 year	11 Oct 13	Franked	$0.20	61,632
Balance of franking account at 30%				111,587

The above amount represents the balance of the dividend franking account as at the reporting date, 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 $25,945,000 (2013: $26,414,000).

As previously stated in Note 6, the Company has a number of outstanding tax positions that are currently under review and objection with the relevant taxation authorities. Successful resolution of these matters could potentially result in the realisation of significant tax benefits for the Group and significantly reduce the balance of the dividend franking account.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

8. EARNINGS PER SHARE

	2014 $'000	2013 $'000
EARNINGS RECONCILIATION		
Net profit attributable to equity holders of the Company	261,145	486,417
Allocated earnings to category of share:		
– Ordinary shares	235,338	458,784
– TELYS4	25,807	27,633
	261,145	**486,417**

	2014 Number	2013 Number
WEIGHTED AVERAGE NUMBER OF SHARES		
Ordinary shares for basic earnings per share:		
Issued shares as at 1 July	308,160,281	307,410,281
– Shares bought back and cancelled – 13 January 2014 to 30 June 2014	(5,468,395)	–
– Shares issued on exercise of options – 15 March 2013	–	750,000
Issued shares as at 30 June	302,691,886	308,160,281
Weighted average number of shares (basic and diluted) at 30 June	307,293,471	307,630,144
TELYS4		
Issued shares at as 1 July	4,963,640	4,963,640
Issued shares as at 30 June	4,963,640	4,963,640
Weighted average number of shares (basic and diluted) at 30 June	4,963,640	4,963,640

	2014 $	2013 $
STATUTORY EARNINGS PER SHARE		
Ordinary shares – total earnings per share from continuing operations:		
– Basic	0.77	1.49
– Diluted	0.77	1.49
TELYS4 – total earnings per TELYS4:		
– Basic	5.20	5.57
– Diluted	5.20	5.57

There were no options that were exercisable, dilutive or anti-dilutive at 30 June 2014 (2013: 3,500,000 exercisable, nil dilutive and 3,500,000 anti-dilutive). These options have not been included in the above earnings per share calculation.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	2014 $	2013 $
UNDERLYING EARNINGS PER SHARE		
Ordinary shares – total underlying earnings per share from continuing operations:		
– Basic	0.74	1.20
– Diluted	0.74	1.20

Underlying earnings per share from continuing operations is statutory earnings per share less significant items. Significant items are disclosed in Note 4. 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.

Underlying earnings from continuing operations is a non-IFRS measure and is reconciled to statutory profit as follows:

	2014 $'000	2013 $'000
Net profit attributable to equity holders of the Company	261,145	486,417
Less: significant items (refer Note 4)	(9,343)	(89,752)
Underlying net profit attributable to equity holders of the Company	251,802	396,665
Allocated underlying earnings to category of share:		
– Ordinary shares	225,995	369,032
– TELYS4	25,807	27,633
	251,802	**396,665**

9. TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
CURRENT		
Trade receivables	429,591	616,078
Provision for impairment losses	(10,155)	(10,076)
Receivables due from equity accounted investees	4,348	13,408
Collateral provided	96,606	–
Other receivables	78,562	100,399
	598,952	**719,809**
NON-CURRENT		
Receivables due from equity accounted investees	–	1,770
	–	**1,770**

The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in Note 35.

Collateral provided relates to $60,000,000 cash on deposit in favour of Santos Offshore Pty Ltd (Santos) as security for the supply of raw gas by Nexus Energy Limited (Nexus). Refer to Note 23 for further information. The remaining balance relates to cash collateral provided in respect of equity derivative positions.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

10. INVENTORIES

	2014 $'000	2013 $'000
CURRENT		
Raw materials – at cost	25,137	37,013
Work-in-progress – at cost	34,238	42,261
Finished goods		
– at cost	713,716	914,710
– at net realisable value	83,496	56,506
Total finished goods	797,212	971,216
Total inventories	**856,587**	**1,050,490**

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2014 $'000	2013 $'000
Investments in associates:		
Seven West Media Limited	661,804	670,628
Individually immaterial associates	31,421	32,556
Investments in joint ventures:		
Coates Group Holdings Pty Limited	452,270	430,221
Individually immaterial joint ventures	26,388	40,467
Total investments accounted for using the equity method	**1,171,883**	**1,173,872**

Seven West Media Limited

Seven West Media Limited (Seven West Media) is the leading listed national multi-platform media business based in Australia. The Group has classified its investment in Seven West Media as an associate as the Group, through its 35.3% 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.

In addition to its 35.3% ownership interest, the Group holds 2,500 convertible preference shares in Seven West Media with a carrying value of $302,226,000 (2013: $276,489,000) included in other financial assets (refer Note 13).

Coates Group Holdings Pty Limited

Coates Group Holdings Pty Limited (Coates Hire) is Australia's largest and leading rental company. The investment deed entered into by a wholly-owned Group subsidiary, National Hire Group Limited (National Hire) and The Carlyle Group (Carlyle) confers equal control rights of Coates Hire to each of National Hire and Carlyle. As the Group has joint control and Coates Hire is a separate entity in which the Group has an interest in the residual net assets, the Group's investment in Coates Hire is classified as a joint venture.

Although the Group's voting rights in Coates Hire is 50%, the Group has determined its economic interest to be 45% after considering vesting conditions for options issued under Coates Group's Management Equity Plan.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

Detailed in the table below are the Group's associates and joint ventures as at 30 June 2014. The country of incorporation is also their principal place of business.

Investee	Principal activities	Country of incorporation	Balance date	OWNERSHIP INTEREST 2014 %	OWNERSHIP INTEREST 2013 %
ASSOCIATES					
Apac Energy Rental Pte Limited[(a)]	Rental services	Singapore	31 Dec	–	20.0%
Energy Power Systems Australia Pty Ltd	Distribution and rental of CAT engine products	Australia	30 Jun	40.0%	40.0%
Lot 102 Developments Pty Ltd[(b)]	Property ownership	Australia	30 Jun	–	40.0%
Lot 102 Development Unit Trust[(b)]	Property ownership	Australia	30 Jun	–	40.0%
Mo's Mobiles Pty Limited	Mobile phone retailer	Australia	30 Jun	25.0%	25.0%
Premier Capital Developments Pty Limited	Property management	Australia	30 Jun	25.0%	25.0%
Revy Investments Pty Limited	Property management	Australia	30 Jun	25.0%	25.0%
Revy Investments Trust	Property management	Australia	30 Jun	25.0%	25.0%
Seven West Media Limited	Media	Australia	28 Jun	35.3%	35.3%
JOINT VENTURES					
Coates Group Holdings Pty Limited	Rental services	Australia	30 Jun	45.0%	45.0%
Flagship Property Holdings Pty Limited	Property management	Australia	31 Dec	46.8%	46.8%
Kings Square Pty Ltd[(c)]	Property development	Australia	30 Jun	50.0%	–
Kings Square No. 4 Unit Trust[(c)]	Property development	Australia	30 Jun	50.0%	–

(a) interest sold during the year, realising a net loss of $103,000.
(b) interest sold during the year, realising a net gain of $1,329,000.
(c) relates to the joint venture entered into during the year with Leighton Properties to develop and construct the Kings Square property development in Perth, Western Australia.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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 SEVEN WEST MEDIA		JOINT VENTURE COATES HIRE	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
SUMMARISED FINANCIAL INFORMATION OF INVESTEES (100%)				
Summarised Statement of Financial Position				
Current assets				
Cash and cash equivalents	68,833	257,316	49,563	98,010
Other current assets	464,909	400,718	241,964	235,564
Total current assets	533,742	658,034	291,527	333,574
Non-current assets				
Goodwill	1,057,403	1,117,852	1,258,164	1,284,660
Intangible assets	2,487,818	2,514,163	120,488	118,269
Other non-current assets	530,876	575,989	1,001,442	1,254,332
Total non-current assets	4,076,097	4,208,004	2,380,094	2,657,261
Current liabilities				
Financial liabilities (excluding trade and other payables and provisions)	–	–	133,272	295,684
Other current liabilities	400,382	444,065	146,161	162,231
Total current liabilities	400,382	444,065	279,433	457,915
Non-current liabilities				
Financial liabilities (excluding trade and other payables and provisions)	1,227,361	1,498,106	1,243,985	1,434,584
Other non-current liabilities	84,900	59,989	47,498	45,780
Total non-current liabilities	1,312,261	1,558,095	1,291,483	1,480,364
Net assets	**2,897,196**	**2,863,878**	**1,100,705**	**1,052,556**
Group's share (%)	35.3%	35.3%	45.0%	45.0%
Group's share of net assets	1,022,710	1,010,949	495,318	473,650
Share of goodwill impairment not recognised as previously impaired	124,750	94,002	–	–
Adjustment to align accounting policies	(9,092)	65	–	–
Fair value adjustment on acquisition	–	–	(35,639)	(35,639)
Elimination of unrealised profits to associate	–	–	(7,409)	(7,790)
Impairment	(476,564)	(434,389)	–	–
Carrying amount	**661,804**	**670,627**	**452,270**	**430,221**
Summarised Statement of Comprehensive Income				
Revenue	1,861,784	1,881,969	1,094,963	1,240,992
Depreciation and amortisation	(49,957)	(57,986)	(243,212)	(254,406)
Net interest expense	(77,788)	(102,452)	(111,228)	(152,879)
Income tax expense	(94,161)	(80,942)	(6,355)	(34,851)
Profit for the year	149,188	(69,750)	39,735	81,542
Other comprehensive income/(expense)	2,925	(1,288)	11,068	18,537
Total comprehensive income for the year	**152,113**	**(71,038)**	**50,803**	**100,079**
Dividends received by the Group	**42,355**	**41,057**	**–**	**–**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	2014 $'000	2013 $'000
SHARE OF INVESTEES' NET PROFIT		
Investments in associates:		
Seven West Media Limited	74,346	67,799
Individually immaterial associates[(a)]	2,214	9,344
Investments in joint ventures:		
Coates Group Holdings Pty Limited	20,034	38,362
Individually immaterial joint ventures	6,971	–
Share of net profit of equity accounted investees	**103,565**	**115,505**

(a) prior year includes share of net profit from Consolidated Media Holdings Limited of $6,601,000 for the period 1 July to 21 November 2012.

	2014 $'000	2013 $'000
MARKET VALUES OF LISTED INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Seven West Media Limited		
– Book value	661,804	670,628
– Market value	661,804	670,628

An impairment charge of $42,175,000 relating to the Group's investment in Seven West Media was recognised in the profit or loss during the year (2013: $77,851,000 impairment reversal).

Impairment testing of investment in Coates Hire

The recoverable amount of the Group's investment in Coates Hire is determined using value in use calculations. These calculations use discounted cash flow projections based on financial budgets approved by the board covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which Coates Hire operates.

Key assumptions used for value-in-use calculations

The table below shows both the key assumptions for the value-in-use calculations, and the assumptions that are individually necessary to incur an impairment charge (assuming all other assumptions remain constant):

	2014 Growth rate[(a)] %	2014 Discount rate (pre-tax) %	2013 Growth rate[(a)] %	2013 Discount rate (pre-tax) %
Key assumptions for value-in-use model	2.50	11.60	3.00	13.40
Assumptions that would be required to trigger an impairment charge	1.85	12.11	1.24	14.54

(a) growth rate used to extrapolate cash flows beyond forecast period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2014 $'000	2013 $'000
CURRENT ASSETS		
Forward foreign exchange contracts – cash flow hedges	671	4,286
NON-CURRENT ASSETS		
Cross currency swaps – cash flow hedges	61,106	67,575
CURRENT LIABILITIES		
Forward foreign exchange contracts and cross currency swaps – cash flow hedges	(4,993)	(49,614)
Other derivatives	(3,035)	(1,699)
	(8,028)	(51,313)
NON-CURRENT LIABILITIES		
Forward foreign exchange contracts and cross currency swaps – cash flow hedges	(74,632)	(62,063)
Interest rate swaps – cash flow hedges	(8,788)	(10,261)
	(83,420)	(72,324)
Net derivative financial instruments	**(29,671)**	**(51,776)**

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, foreign exchange rates and equity prices in accordance with the Group's financial risk management policies (refer to Note 35).

(i) 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 in the consolidated income statement.

(ii) Foreign exchange contracts

The Group enters into forward foreign currency exchange contracts to hedge a portion of 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. 100% of 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 denominated in US Dollars, Euros, Pounds Sterling and Japanese Yen. The terms of these commitments are generally shorter than one year.

(iii) 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 a portion of these obligations.

(iv) 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

13. OTHER FINANCIAL ASSETS

	2014 $'000	2013 $'000
CURRENT		
Loans receivable	129,185	–
	129,185	**–**
NON-CURRENT		
Listed equity securities (available-for-sale)	915,615	758,786
Convertible preference shares – Seven West Media Limited	302,226	276,489
Unlisted equity securities	14,654	–
	1,232,495	**1,035,275**

Loans receivable relate to the senior debt and subordinated notes of Nexus Energy Limited (Nexus) acquired by the Group during the year. Further information regarding the senior debt and subordinated notes is contained in the Nexus Scheme Booklet released on the ASX on 7 May 2014.

Listed equity securities are designated as available-for-sale financial assets in accordance with the Group's accounting policies. The carrying amounts are determined based on their market price at 30 June 2014. Any impairment amounts are disclosed separately unless they are not materially significant.

Convertible preference shares in Seven West Media Limited (Seven West Media) have no set conversion term but are subject to conversion rights by either the Company or Seven West Media. In addition, Seven West Media has the right to redeem the shares for cash. In the ordinary course of events, the Company can currently exercise its conversion rights at a fixed conversion price (FCP) of $5.59. At 30 June 2014 the Company has not elected to exercise its conversion rights given the FCP exceeds the current market price of Seven West Media shares. Seven West Media cannot initiate a conversion or redemption before 21 April 2016. The shares rank ahead of Seven West Media ordinary shares on liquidation and have no dividend rights. The price at which the shares convert into Seven West Media ordinary shares or are redeemed for cash is dependent on the party exercising its rights. The conversion value of the convertible preference shares is adjusted by 7.143% per annum (compounded on a semi-annual basis) for the first five years and thereafter by 9.143% per annum until the shares are either converted or redeemed.

Unlisted equity securities comprise of the Group's investments in unlisted investment funds.

The Group's exposure to credit, currency, interest rate risk and equity price risk related to other financial assets is disclosed in Note 35.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

14. PROPERTY, PLANT AND EQUIPMENT

	2014 $'000	2013 $'000
Freehold land and buildings – at cost	54,554	55,389
Accumulated depreciation	(10,703)	(9,247)
Carrying amount	**43,851**	**46,142**
Leasehold improvements – at cost	68,117	59,990
Accumulated amortisation	(18,671)	(15,712)
Carrying amount	**49,446**	**44,278**
Plant and equipment – at cost	334,229	325,072
Accumulated depreciation	(190,221)	(148,458)
Carrying amount	**144,008**	**176,614**
Producing and development assets – at cost	45,126	–
Carrying amount	**45,126**	**–**
Total property, plant and equipment – at cost	**502,026**	**440,451**
Accumulated depreciation and amortisation	**(219,595)**	**(173,417)**
Carrying amount at end of the year	**282,431**	**267,034**

	Freehold land and buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Producing and development assets $'000	Total $'000
YEAR ENDED 30 JUNE 2014					
MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT					
Carrying amount at beginning of the year	**46,142**	**44,278**	**176,614**	**–**	**267,034**
Additions	–	8,206	11,009	45,126	64,341
Acquisition from business combination	–	–	325	–	325
Disposals	(705)	(122)	(1,696)	–	(2,523)
Depreciation	(1,097)	(3,064)	(40,632)	–	(44,793)
Exchange differences	(130)	43	316	–	229
Other(a)	(359)	105	(1,928)	–	(2,182)
Carrying amount at end of the year	**43,851**	**49,446**	**144,008**	**45,126**	**282,431**
YEAR ENDED 30 JUNE 2013					
MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT					
Carrying amount at beginning of the year	**53,892**	**47,175**	**192,191**	**–**	**293,258**
Additions	4,594	1,793	44,293	–	50,680
Disposals	(12,366)	(346)	(2,275)	–	(14,987)
Disposal of business	–	–	(956)	–	(956)
Depreciation	(979)	(4,594)	(45,003)	–	(50,576)
Exchange differences	1,001	250	860	–	2,111
Other(a)	–	–	(12,496)	–	(12,496)
Carrying amount at end of the year	**46,142**	**44,278**	**176,614**	**–**	**267,034**

(a) other includes net transfer from inventory, impairments and reclassifications.

Producing and development assets comprise of the Group's non-operating interests in oil and gas assets located in the United States of America acquired on 27 June 2014.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

15. INTANGIBLE ASSETS

	2014 $'000	2013 $'000
Distribution network – at cost	783,630	699,434
Carrying amount	**783,630**	**699,434**
Goodwill – at cost	62,473	62,473
Accumulated impairment	(9,354)	(9,354)
Carrying amount	**53,119**	**53,119**
Exploration and evaluation assets – at cost	25,649	–
Carrying amount	**25,649**	**–**
Intellectual property – at cost	10,108	9,703
Accumulated amortisation	(6,824)	(5,930)
Carrying amount	**3,284**	**3,773**
Customer contracts – at cost	20,939	20,951
Accumulated amortisation	(18,091)	(17,116)
Carrying amount	**2,848**	**3,835**
Other intangible assets – at cost	14,308	11,658
Accumulated amortisation	(8,022)	(6,614)
Carrying amount	**6,286**	**5,044**
Total intangible assets – at cost	**917,107**	**804,219**
Accumulated amortisation	**(42,291)**	**(39,014)**
Total intangible assets	**874,816**	**765,205**

	Distribution network $'000	Goodwill $'000	Exploration and evaluation assets[a] $'000	Intellectual property $'000	Customer contracts $'000	Other[b] $'000	Total $'000
YEAR ENDED 30 JUNE 2014							
MOVEMENT IN INTANGIBLE ASSETS							
Carrying amount at beginning of the year	**699,434**	**53,119**	**–**	**3,773**	**3,835**	**5,044**	**765,205**
Additions	–	–	25,649	405	–	1,990	28,044
Acquisition from business combination[c]	92,887	–	–	–	–	–	92,887
Amortisation	–	–	–	(894)	(975)	(1,408)	(3,277)
Exchange differences	(8,691)	–	–	–	(12)	660	(8,043)
Carrying amount at end of the year	**783,630**	**53,119**	**25,649**	**3,284**	**2,848**	**6,286**	**874,816**
YEAR ENDED 30 JUNE 2013							
MOVEMENT IN INTANGIBLE ASSETS							
Carrying amount at beginning of the year	**674,754**	**62,473**	**–**	**3,097**	**4,933**	**3,868**	**749,125**
Acquisition from business combination	(8,792)	–	–	–	9,900	–	1,108
Additions	–	–	–	1,386	–	1,980	3,366
Amortisation	–	–	–	(710)	(11,064)	(836)	(12,610)
Impairment	–	(9,354)	–	–	(110)	–	(9,464)
Exchange differences	33,472	–	–	–	176	32	33,680
Carrying amount at end of the year	**699,434**	**53,119**	**–**	**3,773**	**3,835**	**5,044**	**765,205**

(a) relate to the Group's acquisition of a non-operating interest in undeveloped oil and gas assets located in the United States of America on 27 June 2014.
(b) other includes software and brand names.
(c) relate to the acquisition of Bucyrus China during the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

15. INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill and distribution network

Goodwill and distribution network costs are allocated to the Group's cash generating units (CGUs) identified according to the appropriate operating segment. Allocation is made within the individual operating subsidiaries of the Group.

A segment level summary of the goodwill and distribution network allocation is presented below.

	WesTrac Australia $'000	WesTrac China $'000	Allight Sykes $'000	Total $'000
YEAR ENDED 30 JUNE 2014				
Goodwill	7,324	–	45,795	53,119
Distribution network	319,053	456,592	7,985	783,630
	326,377	**456,592**	**53,780**	**836,749**
YEAR ENDED 30 JUNE 2013				
Goodwill	7,324	–	45,795	53,119
Distribution network	319,053	372,396	7,985	699,434
	326,377	**372,396**	**53,780**	**752,553**

Goodwill and WesTrac Australia distribution network

The recoverable amount of goodwill and the WesTrac Australia distribution network is determined based on the higher of "value-in-use" or "fair value less cost of disposal" 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 calculations are based on financial budgets and cover a five year period.

Based on sensitivity analysis performed no reasonable change in these assumptions would give rise to an impairment.

WesTrac China distribution network

The recoverable amount of the WesTrac China distribution network was assessed on a fair value less cost of disposal basis, estimated using discounted cash flow projections. Fifteen years of cash flows were included in the discounted cash flow model which is consistent with recent independent valuation methodologies. The recoverable amount calculations use discounted cash flow projections based on financial budgets and forecasts approved by management for the first three years, then budgeted/forecasted growth rates until the terminal year which is extrapolated at a terminal growth rate of 4%. In determining the appropriate cash flows, assumptions were made regarding discount rate, terminal value growth rates, sales growth (including market share and heavy equipment market growth) and gross margins.

The value assigned to the key assumptions represent management's assessment of assumptions that a market participant would make, including future trends in the heavy equipment market in Northern China, and were assessed by an independent valuation expert against external market data. Gross margin and sales growth assumptions vary over the 15 year cash flow period based on management forecasts and external market data forecasts.

A range of valuation outcomes were determined based on these key assumptions which supported the carrying value of the WesTrac China distribution network. The recoverable amount, based on a range of assumptions which took account of the risk of achieving management's internal budgets and forecasts, exceeded the carrying amount of the CGU by approximately USD $35,200,000. In the current year, management has identified that, based on this model, any reasonably possible negative change in certain assumptions, which include discount rates, terminal growth rates, forecast sales growth rates, forecast margins and assumed market share would individually cause the carrying amount to exceed the recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

(b) Key assumptions used for "value-in-use" and "fair value less cost of disposal" calculations

	2014 Growth rate[(a)] %	2014 Discount rate (pre-tax)[(b)] %	2013 Growth rate[(a)] %	2013 Discount rate (pre-tax)[(b)] %
Value-in-use				
Caterpillar distribution network – Australia	3.00	13.32	3.00	13.10
AllightSykes	2.75	12.93	2.50	12.34
Fair value less cost of disposal				
Caterpillar distribution network – China[(c)]	4.00	11.89	4.00	11.10

(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.

(c) key drivers of the forecast include general growth in China's mining industry, heavy machinery volume growth, increased market share and operating margins. The growth rate of 4% represents the terminal growth rate after 15 years. The growth rate assumed for the period prior to 15 years is based on budgets and forecasts up to 2017 and then extrapolated based on forecast growth consistent with growth forecasts for the region. These percentage growth forecasts are based on the latest economic forecasts for China and do not exceed the growth forecasts for the region.

16. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
CURRENT		
Trade payables	269,755	384,328
Other payables	67,636	92,137
Accruals	43,518	40,310
Payable to equity accounted investee	18,083	–
	398,992	**516,775**
NON-CURRENT		
Other payables	623	–
	623	**–**

The Company has entered into a Deed of Cross Guarantee with certain subsidiaries as described in Note 25. 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 25.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 35.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

17. INTEREST BEARING LOANS AND BORROWINGS

	2014 $'000	2013 $'000
CURRENT		
Interest bearing liabilities	33,780	101,305
Fixed term US dollar notes	–	75,472
Finance lease liabilities (refer Note 24)	2,298	3,973
	36,078	**180,750**
NON-CURRENT		
Interest bearing liabilities	565,732	469,297
Finance lease liabilities (refer Note 24)	64	2,807
Fixed term US dollar notes	600,845	609,475
Less: capitalised borrowing costs net of accumulated amortisation	(5,054)	(6,859)
	1,161,587	**1,074,720**

The current interest bearing liabilities of $33,780,000 (2013: $101,305,000) relate to the Group's working capital facilities. These liabilities are drawn from rolling short dated facilities within Australia $5,709,000 (2013: $11,034,000) and China $28,071,000 (2013: $90,271,000) and are generally reviewed annually. Of the amount drawn within Australia, $5,118,000 (2013: $10,766,000) is secured against inventory and receivables with the remaining balance being unsecured. The balance drawn from facilities located in China is unsecured.

At 30 June 2014, the Group had available undrawn borrowing facilities of $1,075,423,000 (2013: $1,247,719,000) and also had access to unutilised short dated lines of credit totalling $187,827,000 (2013: $535,868,000).

The Group's interest bearing liabilities had a weighted average interest rate of 7.92% (2013: 7.78%) for the year ended 30 June 2014 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 35.

Unsecured fixed term US Private Placement Notes

The Group has issued notes denominated in US currency of USD $520,000,000 (2013: USD $590,000,000). These borrowings are hedged by a combination of forward foreign exchange and cross currency swaps. Series E (2011) USD $50,000,000 was issued and are repayable in AUD. Interest is payable half yearly in arrears and the amount and maturity of the notes, including the effective hedge position, are summarised as follows:

Notes	Agreement	2014 Amount USD $'000	2014 Spot amount AUD $'000	2013 Amount USD $'000	2013 Spot amount AUD $'000	Hedged amount AUD $'000	Interest rate (incl. margin) %	Maturity date
Series D	1999	–	–	15,000	16,173	–	–	18 Jun 14
Series A	2006	–	–	55,000	59,299	–	–	23 Aug 13
Series B	2006	75,000	79,618	75,000	80,863	99,088	7.48%	23 Aug 16
Series C	2006	55,000	58,386	55,000	59,299	72,598	7.50%	23 Aug 18
Series D	2006	30,000	31,847	30,000	32,345	39,282	7.53%	23 Aug 20
Series E	2006	85,000	90,234	85,000	91,644	112,241	7.56%	23 Aug 21
Series A	2011	45,000	47,771	45,000	48,518	43,838	5.59%	7 Jun 23
Series B	2011	55,000	58,386	55,000	59,299	53,580	5.51%	7 Jul 23
Series C	2011	75,000	79,618	75,000	80,863	73,064	5.42%	7 Jun 26
Series D	2011	100,000	106,157	100,000	107,816	97,418	5.44%	7 Jul 26
Series E	2011	50,000	48,828	50,000	48,828	48,828	7.96%	7 Jul 41
		570,000	**600,845**	**640,000**	**684,947**	**639,937**		

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

18. PROVISIONS

	2014 $'000	2013 $'000
CURRENT		
Employee benefits (refer Note 28)	43,968	51,731
Service warranties	49,086	68,297
Restructuring costs	87	10,742
Onerous contracts	4,090	4,598
Other	8,116	2,938
	105,347	**138,306**
NON-CURRENT		
Employee benefits (refer Note 28)	1,401	1,446
Onerous contracts	4,498	–
	5,899	**1,446**

A reconciliation of the movement in provisions, except for employee benefits, is set out below.

	Service warranties $'000	Restructuring costs $'000	Onerous contracts $'000	Other $'000	Total $'000
YEAR ENDED 30 JUNE 2014					
MOVEMENT IN PROVISIONS					
Balance at beginning of the year	**68,297**	**10,742**	**4,598**	**2,938**	**86,575**
Amounts provided for	19,274	7,310	6,754	7,089	40,427
Amounts used	(38,298)	(17,965)	(2,764)	(1,911)	(60,938)
Exchange differences	(187)	–	–	–	(187)
Balance at end of the year	**49,086**	**87**	**8,588**	**8,116**	**65,877**

Employee benefits

Employee benefits include provisions for annual leave, long service leave and amounts provided for Director retirement benefits. 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 twelve months.

Service warranties

Service warranties provision relate to the estimated warranty claims in respect of products sold which are still under warranty at balance date. The provision is based on estimates made from historical warranty data. 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.

Restructuring costs

Restructuring costs provision relates to WesTrac Australia redundancy costs recognised in employee benefits expense.

Onerous contracts

A contract is onerous when the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received. The Group has raised this provision in respect of operating leases and other onerous contracts.

Other

Other provisions include amounts that have been provided for in relation to workers' compensation claims, maintenance and repair contracts, legal claims and make good obligations.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

19. DEFERRED INCOME

	2014 $'000	2013 $'000
CURRENT		
Maintenance and repair contracts	20,888	32,256
Customer deposits	57,930	93,930
Other deferred income	3,833	2,514
	82,651	**128,700**
NON-CURRENT		
Deferred government grant	7,631	9,476
Other deferred income	7,321	7,321
	14,952	**16,797**

The deferred government grant balance includes the original grant to build training centres in NSW and WA and accumulated interest as per the terms and conditions of the funding agreement. The terms and conditions of the funding agreement impose an obligation for the training centres in NSW and WA to be used for their intended purpose until 1 January 2023.

20. CONTRIBUTED EQUITY

	2014 $'000	2013 $'000
SHARE CAPITAL		
302,691,886 ordinary shares, fully paid (2013: 308,160,281)	2,159,053	2,203,187
4,963,640 TELYS4 preference shares, fully paid (2013: 4,963,640)	427,165	427,165
Balance at end of the year	**2,586,218**	**2,630,352**
MOVEMENTS IN ORDINARY SHARES		
Balance at beginning of year	2,203,187	2,196,937
Shares issued on exercise of options – 15 March 2013 (750,000 shares)	–	6,250
On-market share buy-back and cancelation of shares – 13 January 2014 to 30 June 2014 (5,468,395 shares)	(44,134)	–
Balance at end of the year	**2,159,053**	**2,203,187**
MOVEMENTS IN PREFERENCE SHARES – TELYS4		
Balance at beginning of year	427,165	427,165
Balance at end of the year	**427,165**	**427,165**

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 preference shareholders and are fully entitled to any proceeds on liquidation.

On 11 December 2013, the Company announced it would undertake an on-market buy-back of up to 11.9 million of the Company's shares, representing approximately 3.86 per cent of the Company's ordinary shares. In the period 13 January 2014 to 30 June 2014, 5,468,395 shares were acquired on-market at a total cost of $44,134,000 and subsequently cancelled.

TELYS4 were issued on 13 May 2010 under the TELYS4 Offer Prospectus on a one for one exchange for all TELYS3 previously issued by Seven Network Limited. Holders are entitled to a preferential non-cumulative floating rate dividend, which is based on Bank Bill Swap Rate for 180 days plus Margin. The Margin is set at 4.75% subject to the Company's right of Conversion and Exchange. There are no voting rights attached except in limited circumstances, in which case holders will have one vote per TELYS4 held.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	2014 Number	2013 Number
OPTIONS ON ORDINARY SHARES		
As at reporting date the number of options exercisable into ordinary shares was as follows:		
Options to Directors	–	3,500,000
	–	**3,500,000**

During the year ended 30 June 2014, 500,000 options were exercised, 2,000,000 options were cancelled and the remaining 1,000,000 options were forfeited (2013: 500,000 options exercised, nil cancelled and nil forfeited).

21. RESERVES

	Acquisitions reserve $'000	Employee equity benefits reserve $'000	Common control reserve $'000	Cash flow hedge reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Total $'000
YEAR ENDED 30 JUNE 2014							
As at 1 July 2013	**(63,455)**	**11,224**	**(642,586)**	**(16,548)**	**122,556**	**(8,625)**	**(597,434)**
Fair value movement on available-for-sale financial assets	–	–	–	–	55,219	–	55,219
Tax effect of net gain on available-for-sale financial assets	–	–	–	–	(18,916)	–	(18,916)
Net gain on cash flow hedges	–	–	–	17,330	–	–	17,330
Tax effect of net gain on cash flow hedges	–	–	–	(5,138)	–	–	(5,138)
Movement in reserves of equity accounted investees	–	(1,092)	–	2,370	–	3,968	5,246
Currency translation differences	–	–	–	–	–	(11,432)	(11,432)
Share based payments	–	289	–	–	–	–	289
Share based payment options settled	–	(2,827)	–	–	–	–	(2,827)
As at 30 June 2014	**(63,455)**	**7,594**	**(642,586)**	**(1,986)**	**158,859**	**(16,089)**	**(557,663)**
YEAR ENDED 30 JUNE 2013							
As at 1 July 2012	**(63,455)**	**10,144**	**(642,586)**	**16,236**	**54,463**	**(84,922)**	**(710,120)**
Fair value movement on available-for-sale financial assets	–	–	–	–	111,220	–	111,220
Tax effect of net gain on available-for-sale financial assets	–	–	–	–	(43,127)	–	(43,127)
Net gain on cash flow hedges	–	–	–	(56,588)	–	–	(56,588)
Tax effect of net gain on cash flow hedges	–	–	–	16,977	–	–	16,977
Movement in reserves of equity accounted investees	–	1,080	–	6,827	–	2,722	10,629
Currency translation differences	–	–	–	–	–	73,575	73,575
As at 30 June 2013	**(63,455)**	**11,224**	**(642,586)**	**(16,548)**	**122,556**	**(8,625)**	**(597,434)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

21. RESERVES (CONTINUED)

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.

Cash flow hedge reserve

The cash flow 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 reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

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.

22. RETAINED EARNINGS

	Note	2014 $'000	2013 $'000
Retained earnings at beginning of the year		990,053	654,523
Net profit attributable to members of the Company		261,145	486,417
Dividends paid	7	(148,931)	(150,887)
Retained earnings at end of the year		**1,102,267**	**990,053**

23. CONTINGENT LIABILITIES

	2014 $'000	2013 $'000
Performance guarantees	35,458	28,097
Financial guarantees	196,415	90,815
	231,873	**118,912**

On 27 June 2014, a wholly-owned Group subsidiary Seven Network (United States) Inc. (SNUS), acquired a non-operating interest in producing, development and undeveloped oil and gas assets located in the United States of America. Subsequent to 30 June 2014, Apache Corporation, the operator of the oil and gas assets initiated legal action against the vendor and SNUS for alleged breaches of contract (by the vendor) and tortious interference (by SNUS). The Group believes the action to be without merit and is defending its position.

Performance guarantees

Performance guarantees relate to guarantees provided to customers in support of equipment performance.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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 2014.

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 in the consolidated statement of financial position and disclosed in Note 17.

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.

The subsidiaries of Nexus Energy Limited, namely Nexus Energy Aust. NL and Nexus Energy VICP54 Pty Ltd have entered into an agreement to supply raw gas to Santos Offshore Pty Ltd (Santos). As security for the supply of raw gas, Santos has access to a letter of credit provided by BOS International (Australia) Limited, capped at $60,000,000. Should the Nexus subsidiaries not meet their obligations under the agreement to supply raw gas, Santos may at this time have access to draw on the letter of credit. The Group has granted a security interest over its rights under, and interest in, a $60,000,000 term deposit as security for the letter of credit. This amount is included in the financial guarantees disclosure and as collateral receivable in Note 9.

24. COMMITMENTS

	2014 $'000	2013 $'000
Capital expenditure commitments		
Payable:		
Not later than one year	1,372	9,874
Finance lease commitments		
Payable:		
Not later than one year	2,358	4,231
Later than one year but not later than five years	79	2,901
Minimum lease payments[a]	**2,437**	**7,132**
Less future finance charges	(75)	(352)
	2,362	**6,780**
Operating lease commitments[b]		
Payable:		
Not later than one year	64,044	64,904
Later than one year but not later than five years	191,228	210,709
Later than five years	112,170	156,295
	367,442	**431,908**
Other commitments[c]		
Payable:		
Not later than one year	40,087	53,908

(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) other commitments relates to the Group's commitment to invest in an unlisted investment fund.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

25. CONTROLLED ENTITIES

	Notes	Country of incorporation	OWNERSHIP INTEREST 2014 %	2013 %
PARENT ENTITY				
Seven Group Holdings Limited	(a)	Australia		
SUBSIDIARIES				
Allight Holdings Pty Limited	(a)(b)	Australia	**100**	100
AllightPrimax FZCO		UAE	**100**	100
AllightSykes Pty Limited	(a)(b)	Australia	**100**	100
AllightSykes SA (Proprietary) Limited		South Africa	**100**	100
ATPH Pty Limited		Australia	**100**	100
ATP1 Pty Limited		Australia	**100**	100
ATP2 Pty Limited		Australia	**100**	100
ATP3 Pty Limited		Australia	**100**	100
C7 Pty Limited	(a)	Australia	**100**	100
Direct Target Access Pty Limited	(a)	Australia	**100**	100
EMT Group Pty Limited		Australia	**100**	100
FGW Pacific Pty Limited		Australia	**100**	100
Industrial Investment Holdings Pty Limited	(c)	Australia	**100**	–
Kimlin Holdings Pty Limited		Australia	**100**	100
Liaoning WesTrac Machinery Equipment Limited		China	**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
National Hire Facilitation Pty Limited	(a)	Australia	**100**	100
National Hire Group Limited	(a)	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		Australia	**100**	100
PT AllightSykes		Indonesia	**100**	100
Pump Rentals Pty Limited	(a)(b)	Australia	**100**	100
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 Finance 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 Productions Pty Limited	(a)	Australia	**100**	100
Seven Resources Pty Limited	(a)	Australia	**100**	100
Seven (WAN) Pty Limited		Australia	**100**	100

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

			OWNERSHIP INTEREST	
	Notes	Country of incorporation	2014 %	2013 %
SUBSIDIARIES (CONTINUED)				
SGH Communications Pty Limited		Australia	**100**	100
SGH Energy (No 1) Pty Limited	(d)	Australia	**100**	–
SGH Energy (No 2) Pty Limited	(d)	Australia	**100**	–
Sitech (Beijing) Engineering Technology Development Company Limited		China	**51**	51
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)(b)	Australia	**100**	100
Sykes New Zealand Limited		New Zealand	**100**	100
Tallglen Pty Limited	(a)	Australia	**100**	100
Tianjin WesTrac Machinery Equipment Limited		China	**100**	100
Weishan (Beijing) Machinery Equipment Limited		China	**100**	100
WesTrac (Beijing) Machinery Equipment Limited		China	**100**	100
WesTrac China Limited		Hong Kong	**100**	100
WesTrac (China) Machinery Equipment Limited		China	**100**	100
WesTrac Fleet Pty Limited		Australia	**100**	100
WesTrac Holdings Pty Limited	(a)	Australia	**100**	100
WesTrac Hong Kong Limited		Hong Kong	**100**	100
WesTrac Inventory Pty Limited		Australia	**100**	100
WesTrac Machinery Distribution Pty Limited		Australia	**100**	100
WesTrac Pty Limited		Australia	**100**	100

(a) pursuant to ASIC Class Order 98/1418 (as amended) (dated 13 August 1998) these controlled entities are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial reports.

(b) these controlled entities entered into the Deed of Cross Guarantee with the Company via Assumption Deed on 3 June 2014.

(c) this company was incorporated on 4 November 2013.

(d) these companies were incorporated on 4 April 2014.

DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) ("Class Order") the wholly-owned controlled entities listed above (marked (a)) 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 Class Order 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

25. CONTROLLED ENTITIES (CONTINUED)

DEED OF CROSS GUARANTEE (CONTINUED)

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, for the years ended 30 June 2014 and 30 June 2013 are set out below.

	COMBINED	
	2014 $'000	2013 $'000
STATEMENT OF COMPREHENSIVE INCOME		
Other income		
Other income	6,860	4,901
Dividend income	143,711	242,835
Total other income	**150,571**	**247,736**
Share of results from equity accounted investees	101,352	107,995
Net gain on sale of investments and equity accounted investees	33,992	65,923
Impairment of equity accounted investees	(42,175)	77,851
Fair value movement of derivatives and other financial assets	172	25,131
Expenses excluding depreciation and amortisation		
Other expenses	(23,866)	(16,532)
Total expenses excluding depreciation and amortisation	**(23,866)**	**(16,532)**
Depreciation and amortisation	(312)	(173)
Profit before net finance costs and tax	**219,734**	**507,931**
Net finance income/(costs)	2,639	(33,173)
Profit before tax	**222,373**	**474,758**
Income tax benefit/(expense)	13,238	(19,359)
Profit for the year	**235,611**	**455,399**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net change in fair value of available-for-sale financial assets	52,288	104,183
Income tax on items of other comprehensive income	(15,686)	(31,255)
Total items that may be reclassified subsequently to profit or loss	**36,602**	**72,928**
Total comprehensive income for the year	**272,213**	**528,327**
MOVEMENT IN RETAINED EARNINGS		
Retained profits at beginning of the year	637,783	333,271
Profit for the year	235,611	455,399
Dividends paid during the year	(148,931)	(150,887)
Retained profits at end of the year	**724,463**	**637,783**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

	COMBINED	
	2014 $'000	2013 $'000
STATEMENT OF FINANCIAL POSITION		
CURRENT ASSETS		
Cash and cash equivalents	12,032	193,847
Trade and other receivables	81,154	51,421
Inventories	29,979	–
Current tax assets	12,537	–
Loans to related parties	126,738	3,000
Total current assets	**262,440**	**248,268**
NON-CURRENT ASSETS		
Investments in controlled entities	853,755	981,912
Trade and other receivables	–	1,712
Investments accounted for using the equity method	1,144,805	1,145,674
Other financial assets	873,704	742,014
Property, plant and equipment	17,222	14,084
Intangible assets	63,488	–
Total non-current assets	**2,952,974**	**2,885,396**
Total assets	**3,215,414**	**3,133,664**
CURRENT LIABILITIES		
Trade and other payables	48,982	41,854
Loans from related parties	194,820	86,891
Current tax liabilities	–	127,360
Deferred income	–	315
Provisions	4,519	5,538
Derivative financial instruments	50	192
Total current liabilities	**248,371**	**262,150**
NON-CURRENT LIABILITIES		
Interest bearing loans and liabilities	530,814	423,263
Deferred tax liabilities	296,872	271,079
Trade and other payables	623	–
Provisions	5,844	1,224
Deferred income	7,321	7,321
Total non-current liabilities	**841,474**	**702,887**
Total liabilities	**1,089,845**	**965,037**
Net assets	**2,125,569**	**2,168,627**
EQUITY		
Issued capital	2,586,218	2,630,352
Reserves	(1,185,112)	(1,099,508)
Retained earnings	724,463	637,783
Total equity	**2,125,569**	**2,168,627**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

26. ACQUISITION OF BUSINESS COMBINATION

Acquisition of Bucyrus China

On 5 May 2014, a wholly owned Group subsidiary acquired the core business operations and assets in six provinces (including the municipalities of Beijing and Tianjin) in north eastern China from a group of entities owned by Caterpillar Global Mining LLC and Caterpillar (Langfang) Mining Equipment Co Ltd. No legal entity or share capital was acquired. The acquisition has increased the Group's market share in the industry and complements the Group's existing mining and equipment and product support range.

The acquired business contributed trading revenues of $100,000 and a trading loss of $220,000 to the Group for the period. Due to the nature of the acquisition, management have not been, and will not be able to, accurately determine what the Bucyrus China business would have contributed to revenue and profit for the full year. Given the timing of the acquisition, the details of the purchase consideration, the net assets and the allocation of identifiable intangibles have not been finalised and are provisional as follows:

	2014 $'000
Consideration	
Cash paid	103,146
Total consideration	**103,146**
Identifiable assets acquired and liabilities assumed	
Inventories	9,934
Distribution network	92,887
Property, plant and equipment	325
Provisional fair value of net identifiable assets	**103,146**
Goodwill on acquisition	
Total consideration transferred for accounting purposes at fair value	103,146
Provisional fair value of identifiable net assets	(103,146)
Goodwill on acquisition	**–**

Acquisition related costs of $1,593,000 were incurred during the year and relate primarily to stamp duty.

Prior year acquisition

Acquisition of Bucyrus Australia

The acquisition accounting for the acquisition of Bucyrus Australia was completed during the year ended 30 June 2013, resulting in a working capital adjustment of $26,412,000 received in cash by the Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

27. DISPOSAL OF BUSINESSES

There were no disposals of businesses during the year ended 30 June 2014.

Prior year disposal

Sale of the Engin voice over internet protocol (VoIP) business

On 24 September 2012, the Group sold its interest in the Engin VoIP business to Eftel Limited (Eftel) for $9,100,000. The Group recognised a net gain on disposal of $8,364,000 in respect of the transaction. Further information regarding the sale of Engin is available in the Company's ASX release dated 24 September 2012.

	2013 $'000
Effect of disposal on the financial position of the Group	
Cash and cash equivalents	(968)
Trade and other receivables	(1,613)
Inventories	(192)
Property, plant and equipment	(956)
Deferred tax assets	(491)
Trade and other payables	2,512
Interest bearing loans and borrowings	356
Provisions	616
Net assets disposed	**(736)**

	2013 $'000
Net gain on sale of subsidiary	
Total consideration received for accounting purposes at fair value	9,100
Net assets disposed	(736)
Net gain on sale of subsidiary	**8,364**

28. EMPLOYEE BENEFITS

	2014 $'000	2013 $'000
Provisions – current (refer Note 18)	43,968	51,731
Provisions – non-current (refer Note 18)	1,401	1,446
	45,369	**53,177**

Superannuation contributions

The Group makes contributions on behalf of employees to a defined contribution superannuation fund. The amount recognised as an expense was $36,355,000 for the year ended 30 June 2014 (2013: $42,255,000).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

29. AUDITOR'S REMUNERATION

	2014 $	2013 $
Amounts received or due and receivable by auditors of the Company for:		
Audit services		
Auditors of the Company		
KPMG Australia		
– Audit and review of financial reports	670,400	665,000
– Other assurance services	15,000	23,500
Overseas KPMG firms		
– Audit and review of financial report	184,000	157,000
	869,400	**845,500**
Other services		
Auditors of the Company		
KPMG Australia		
– Other advisory services	12,000	–
Overseas KPMG firms		
– Other tax and advisory services	42,560	63,300
	54,560	**63,300**

All amounts payable to the auditors of the Company were paid by Group subsidiaries.

KPMG are only appointed to assignments additional to their statutory audit duties where they are able to maintain their audit independence.

30. DIRECTOR AND EXECUTIVE DISCLOSURES

Key Management Personnel compensation

Detailed remuneration disclosures, including movements in equity holdings for KMP, are provided in the Remuneration Report section of the Directors' Report.

The aggregate compensation made to the Key Management Personnel of the Group is set out below:

	2014 $	2013 $
Short-term employee benefits	11,555,009	8,736,021
Post-employment benefits	247,267	133,491
Termination benefits	457,506	937,212
Other long-term employee benefits	106,517	22,444
Share-based payments	985,579	456,779
	13,351,878	**10,285,947**

An amount of $166,315 (2013: $144,702) was paid to Deloitte in relation to services provided by Mr Cooper as Interim Chief Financial Officer through a company to company agreement with Deloitte. This amount is in addition to the amounts shown above.

No Director has entered into a material contract with the Group in the current or prior year other than those disclosed in this Note.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

Key Management Personnel related party transactions

A number of Directors and KMP, 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.

During the years ended 30 June 2014 and 30 June 2013, the Group transacted with entities of which certain Directors of the Company are, or were, Directors or Officers (excluding equity accounted investees, which are disclosed in Note 31) or otherwise had an interest.

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

	2014 $	2013 $
Revenues and expenses		
Revenues	–	1,131,462
Expenses	45,571,852	45,394,529
Assets and liabilities		
Trade and other receivables – current	14,756	280,400
Trade and other payables – current	(502,200)	–

These transactions included nil revenue (2013: $1,131,462) charged to the related party invoiced at standard WesTrac rates, the lease of premises and related outgoings amounting to $39,063,064 (2013: $37,165,486); travel expense amounting to $3,307,071 (2013: $2,245,954); electricity under supply agreement of $2,647,217 (2013: $2,810,880) and other net expense reimbursements of $304,500 (2013: $2,922,209).

The lease of premises cost relates to triple net leases that the WesTrac Group entered into, the material terms of which were set out in page 406 of Part B of the merger scheme documentation and include annual rent increases of the greater of 3% and CPI, responsibility for most costs of maintaining the properties (including capital/structural repairs), and extensive insurance obligations. The rent expense for the use of these properties is disclosed in the table within expenses.

During the year a wholly-owned Group subsidiary entered into a two year electricity supply contract valued at $1,908,142 with an entity which the Directors of the Company, KM Stokes AC and RK Stokes are Directors or Officers. The contract was awarded after a market tender process using an independent tendering contractor.

Loans and other transactions with Key Management Personnel

During the year a company associated with Director, Mr B McWilliam was party to a consulting agreement with the Group. Total fees paid during the year in relation to this consulting agreement totalled $250,000 (2013: $250,000). This amount is included in the remuneration disclosures.

Subsequent to 30 June 2014, a wholly-owned Group subsidiary reached an in-principle agreement with a director related entity to early terminate a take or pay contractual agreement for the use of an aircraft. The key terms of the agreement (which was due to expire on 30 June 2018) were disclosed in Part B of the merger scheme documentation. The Independent & Related Party Committee approved the early termination and payment of $3,047,000 was made on 13 August 2014 as final settlement of the agreement. The total value which would have been payable under the agreement was $11,481,888.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

31. OTHER RELATED PARTY DISCLOSURES

	2014 $'000	2013 $'000
Subsidiaries		
Interests in subsidiaries are set out in Note 25.		
Key Management Personnel		
Disclosures relating to Key Management Personnel are set out in Note 30.		
Equity accounted investees		
The aggregate value of transactions between the Group and its equity accounted investees was as follows:		
Sales revenue		
Associates	2,768	2,883
Joint ventures	19,158	50,066
Other income		
Joint ventures	4,104	6,068
Finance income		
Joint ventures	4,000	–
Rental expense		
Joint ventures	(3,487)	(6,635)
Other expenses		
Associates	(4,051)	(2,242)
Joint ventures	(111)	–
Expense reimbursement		
Associates	(579)	(894)
Outstanding balances arising from transactions with equity accounted investees:		
Trade and other receivables		
Associates	1,885	8,147
Joint ventures	2,463	5,261
Trade and other payables		
Associates	(277)	–
Joint ventures	(20)	(4)
Tax (payable to)/receivable from equity accounted investee who is a member of the tax consolidated group		
Associates	(17,786)	6,493
Contingent liabilities at year end, arising from transactions with equity accounted investees:		
Financial guarantees (refer to Note 23)	–	12,110

The Group's property at Tuart Hill (Dianella), Western Australia is leased to a subsidiary of Seven West Media Limited under a peppercorn rental agreement as set out in clause 4.10 of the Share Sale Agreement between the Company and West Australian Newspapers Holdings Limited (dated 10 April 2011).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

32a. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Bank balances	101,003	218,938
Call deposits	27,323	323,170
Cash and cash equivalents in the cash flow statement	**128,326**	**542,108**

32b. NOTES TO THE CASH FLOW STATEMENT

	2014 $'000	2013 $'000
Reconciliation of profit for the year to net cash flows related to operating activities:		
Profit after tax	**262,540**	**488,605**
Depreciation and amortisation:		
Property, plant and equipment	44,793	50,576
Intangible assets	3,277	12,610
Share option expense	289	–
Gain on sale of property, plant and equipment	–	(29,430)
Net gain on sale of investments and equity accounted investees	(41,237)	(65,924)
Net gain on sale of subsidiary	–	(8,364)
Impairment/(impairment reversal) of equity accounted investees	42,175	(77,851)
Impairment of non-current assets	–	9,464
Fair value movement of derivatives	1,757	10,440
Share of results from equity accounted investees	(103,565)	(115,505)
Dividends received from associates	42,370	49,616
Other investment income	(25,736)	(23,545)
Movement in:		
Trade and other receivables	152,648	176,368
Inventories	192,405	345,352
Other assets	(23,675)	17,804
Trade and other payables/deferred income	(163,558)	(79,651)
Provisions	(28,506)	32,234
Tax balances	(111,078)	47,655
Net operating cash flows	**244,899**	**840,454**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

33. EVENTS SUBSEQUENT TO BALANCE DATE

Nexus transaction

On 6 August 2014, the administrators of Nexus announced that only one offer was generated through the company's sale process. The sole offer was a proposed Deed of Company Arrangement (DOCA) from a wholly-owned Group subsidiary, SGH Energy (No 2) Pty Ltd. The key terms of the DOCA included the repayment of the Nexus senior debt in full, trade creditors and employee priority claims paid in full, subordinated note holders to receive 74.5 cents in the dollar for principal and accrued interest and settlement of Sedco's claims against Nexus for $30,000,000.

Nexus creditors subsequently resolved to execute the DOCA at the second meeting of Nexus creditors on 11 August 2014. Completion of the DOCA by Nexus is subject to several conditions precedent and is required to occur within 15 business days of the second creditors meeting (i.e. by 1 September 2014). Further information regarding the DOCA is available in Nexus' ASX announcement dated 6 August 2014.

Acquisition of a non-operating interest in oil and gas assets

On 27 June 2014, a wholly-owned Group subsidiary Seven Network (United States) Inc. (SNUS), acquired a non-operating interest in producing, development and undeveloped oil and gas assets located in the United States of America. Subsequent to 30 June 2014, Apache Corporation, the operator of the oil and gas assets initiated legal action against the vendor and SNUS for alleged breaches of contract (by the vendor) and tortious interference (by SNUS). The Group believes the action to be without merit and is defending its position.

34. PARENT ENTITY DISCLOSURES

As at and throughout the year ended 30 June 2014 the parent company of the Group was Seven Group Holdings Limited.

	COMPANY	
	2014 $'000	2013 $'000
Financial position of parent entity at end of the year		
Current assets	8,150	354,429
Total assets	3,097,886	3,443,992
Current liabilities	20	128,397
Total liabilities	430,382	557,708
Total equity of the parent entity comprising of:		
Contributed equity	2,586,218	2,630,352
Reserves	3,901	6,440
Retained earnings	77,385	249,492
Total shareholders equity	**2,667,504**	**2,886,284**
Result of the parent entity		
Profit for the year	(23,175)	129,184
Total comprehensive income for the year	**(23,175)**	**129,184**
Other information		
Contingent liabilities of the parent entity[(a)]	96,021	75,364

(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 25.

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 25.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

35. FINANCIAL RISK MANAGEMENT

Overview

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.

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 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	2014 $'000	2013 $'000
Financial assets			
Cash and cash equivalents	32a	128,326	542,108
Trade and other receivables	9	598,952	721,579
Listed equity securities (available-for-sale)	13	915,615	758,786
Convertible preference shares – Seven West Media Limited	13	302,226	276,489
Unlisted equity securities	13	14,654	–
Loans receivable	13	129,185	–
Derivative financial instruments	12	61,777	71,861
Total financial assets		**2,150,735**	**2,370,823**
Financial liabilities			
Trade and other payables (excluding accruals)	16	356,097	476,465
Interest bearing loans and borrowings	17	1,197,665	1,255,470
Derivative financial instruments	12	91,448	123,637
Total financial liabilities		**1,645,210**	**1,855,572**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market 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's foreign exchange risk arises primarily from:

- the Group's investment in available-for-sale financial assets which includes an investment in Agricultural Bank of China denominated in Hong Kong Dollars;
- borrowings denominated in a foreign currency; and
- firm commitments of highly probable forecast transactions for receipts and payments settled in foreign currency.

The Group is exposed to fluctuations in United States Dollars (USD), Great British Pounds (GBP), Euros (EUR), Indian Rupee (IDR), United Arab Emirates Dirhams (AED) and New Zealand Dollars (NZD).

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 17). The Group effectively hedges its long term foreign denominated borrowings using a combination of designated forward exchange contracts and cross currency swaps.

Excluding assets and liabilities for foreign Group entities translated in accordance with Note 1(D)(iii), the Group's exposure to foreign currency risk was as follows, based on notional amounts:

	USD '000	GBP '000	EUR '000	IDR '000	AED '000	NZD '000
AS AT 30 JUNE 2014						
Cash at bank	14,795	5	15	70,546	1,201	507
Trade and other receivables	32,309	–	–	–	1,026	1,072
Trade and other payables	(43,152)	(831)	–	–	(1,519)	(150)
Borrowings	(520,000)	–	–	–	–	–
Derivative financial instruments	(19,584)	–	–	–	–	–
Closing exchange rates(a)	0.9420	0.5531	0.6906	11,177	3.4595	1.0761
AS AT 30 JUNE 2013						
Cash at bank	7,475	25	5,259	155,970	1,288	276
Trade and other receivables	112,339	–	–	167,524	8,397	1,509
Trade and other payables	(144,543)	–	–	–	(1,474)	(20)
Borrowings	(590,000)	–	–	–	–	–
Derivative financial instruments	(36,958)	–	–	–	–	–
Closing exchange rates(a)	0.9275	0.6072	0.7095	9,208	3.4062	1.1871

(a) closing exchange rates at 30 June as reported by the Reserve Bank of Australia at 4pm (AEST).

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(D)(iii). 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 above table.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

USD sensitivity analysis

As at 30 June 2014 the closing AUD/USD exchange rate, as reported by the Reserve Bank of Australia at 4pm (AEST) was 0.9420 (2013: 0.9275). A foreign currency sensitivity of +/- 10% has been selected and is considered reasonable given the historical AUD/USD exchange rates prevailing in the year ended 30 June 2014. During this period the average AUD/USD exchange rate was 0.9188 (2013: 1.0271) and traded within a range of 0.8716 and 0.9672 (2013: 0.9202 and 1.0593).

At 30 June 2014, had the AUD/USD exchange rate moved by 10%, with all other variables held constant, post tax profit/(loss) and equity would have been affected as illustrated in the table below:

	2014 Profit/(loss) $'000	2014 Equity $'000	2013 Profit/(loss) $'000	2013 Equity $'000
Judgements of reasonably possible movements:				
AUD to USD +10%	24	(906)	(491)	(1,388)
AUD to USD -10%	(29)	1,868	600	2,527

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.

(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, USD, HKD and RMB. Generally, long term fixed rate borrowings are obtained in the US and Australia, while shorter term variable borrowings are denominated in local Australian and Chinese currencies and expose the Group to interest rate risk. The Group manages this risk by using derivative financial instruments including interest rate swaps and interest rate caps to fix interest rate exposure.

As at 30 June 2014, 79% (2013: 81%) of the Group's total borrowings were subject to fixed interest rates or were effectively hedged with derivative financial instruments. The Group had interest rate caps with a notional value of $75,000,000 at 7% which expired during the year.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian, United States, Hong Kong, Chinese and New Zealand variable interest rate risk:

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	103,426	257,208
	103,426	**257,208**
Financial liabilities		
Interest bearing liabilities	(225,421)	(229,333)
	(225,421)	**(229,333)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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 1% (100 basis points) higher or lower for the year, with all other variables held constant.

	2014 Profit/(loss) $'000	2014 Equity $'000	2013 Profit/(loss) $'000	2013 Equity $'000
If interest rates were 1% (100 basis points) higher with all other variables held constant – increase/(decrease)	(854)	(854)	195	195
If interest rates were 1% (100 basis points) lower with all other variables held constant – increase/(decrease)	854	854	(195)	(195)

(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 and derivatives.

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 15% higher or lower, with all other variables held constant. A sensitivity of 15% is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movement.

	2014 Profit/(loss) $'000	2014 Equity $'000	2013 Profit/(loss) $'000	2013 Equity $'000
If share prices were 15% higher with all other variables constant – increase/(decrease)	5,341	96,140	3,612	79,673
If share prices were 15% lower with all other variables constant – increase/(decrease)	(5,341)	(96,140)	(3,612)	(79,673)

The allocation between profit or loss and equity is subject to impairment testing. The above sensitivity analysis assumes the investments are not impaired.

The fair values of available-for-sale financial assets are determined by reference to their quoted market prices at balance date. Gains or losses arising from changes in the value of available-for-sale financial assets category are taken to the fair value reserve. Amounts are recognised in profit or loss when the associated assets are sold or impaired.

(iv) Commodity price risk

The Group acquired a non-operating interest in oil and gas assets located in the United States of America on 27 June 2014. This investment exposes 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

(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 on going 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.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	2014 $'000	2013 $'000
Floating rate		
Expiring within one year	404,711	436,332
Expiring beyond one year	670,712	811,387
	1,075,423	**1,247,719**

At 30 June 2014, the Group also has additional liquidity available in the form of cash of $128,326,000 (2013: $542,108,000), available-for-sale listed shares of $915,615,000 (2013: $758,786,000) and access to unutilised, short dated lines of other credit totalling $187,827,000 (2013: $535,868,000).

Subject to continued compliance with facility terms, the facilities may be drawn at any time. The average maturity for drawn facilities is 6.1 years (2013: 6.5 years) and 1.2 years (2013: 1.8 years) 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 in the table are the contracted undiscounted cash flows.

	Within 1 year $'000	Between 1 & 2 years $'000	Between 2 & 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
YEAR ENDED 30 JUNE 2014						
Trade and other payables (excluding accruals)	356,097	–	–	–	356,097	356,097
Borrowings – variable rate						
– principal (including derivative)	33,094	103,003	–	67,901	203,998	225,421
– coupon interest	3,100	3,100	9,299	21,698	37,197	–
Borrowings – fixed rate						
– principal (including derivative)	2,298	64	650,109	417,862	1,070,333	972,275
– coupon interest and derivative	39,108	39,095	87,304	165,779	331,286	88,383
	433,697	**145,262**	**746,712**	**673,240**	**1,998,911**	**1,642,206**
YEAR ENDED 30 JUNE 2013						
Trade and other payables (excluding accruals)	476,465	–	–	–	476,465	476,465
Borrowings – variable rate						
– principal (including derivative)	101,152	36,115	–	67,901	205,168	229,333
– coupon interest and derivative	3,185	3,185	3,185	25,476	35,031	–
Borrowings – fixed rate						
– principal (including derivative)	104,660	2,457	620,459	497,191	1,224,767	1,026,137
– coupon interest and derivative	43,483	39,233	108,051	196,634	387,401	121,937
	728,945	**80,990**	**731,695**	**787,202**	**2,328,832**	**1,853,872**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

35. 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.

	Note	2014 $'000	2013 $'000
Listed equity securities	13	915,615	758,786
Convertible preference shares – Seven West Media Limited	13	302,226	276,489
Unlisted equity securities	13	14,654	–
Loans receivable	13	129,185	–
Trade and other receivables	9	598,952	721,579
Cash and cash equivalents	32a	128,326	542,108
Derivative financial instruments	12	61,777	71,861
		2,150,735	**2,370,823**

Trade and other receivables

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, such as Veda Advantage. 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.

The Group is not aware of any material credit concerns with respect to the portfolio of investments.

The Group's maximum exposure to credit risk at the reporting date was:

Past due but not impaired

As at 30 June 2014, trade receivables of $74,714,000 (2013: $79,241,000) were past due but not impaired. These 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:

	2014 $'000	2013 $'000
Past due 1 – 30 days	9,263	9,323
Past due 31 – 60 days	18,155	28,367
Past due 60 – 90 days	8,778	7,170
> 91 days	38,518	34,381
Balance at end of the year	**74,714**	**79,241**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance at beginning of the year	10,076	8,718
Impairment loss recognised in profit and loss	351	2,503
Impairment loss reversed in profit and loss	(2)	–
Receivables expensed as uncollectable during the year	(222)	(897)
Exchange differences	(48)	(248)
Balance at end of the year	**10,155**	**10,076**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

The Group's and the Company's exposure to credit risk is predominately in Australia and China.

The creation and release of the provision for impaired receivables has been included in "other expenses" in the consolidated income statement. Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value.

In certain circumstances the Group enters into guarantees as part of ordinary trading operations. These guarantees are included within financial guarantees in Note 23.

Loans receivable

The Group is exposed to credit risk through its investment in the debt securities of Nexus, totalling $129,185,000. The loans receivable comprise of principal and capitalised interest of $48,131,000 in relation to a senior debt facility, $74,859,000 in relation to subordinated notes, $2,730,000 in relation to a working capital bridge facility and letter of credit fees and $3,465,000 in relation to a Nexus administration facility.

Both the senior debt facility and the working capital bridge facility are secured against the assets of Nexus. The subordinated notes are unsecured receivables which are subordinate to the senior debt facility and the working capital bridge facility.

On 12 June 2014 Nexus entered into voluntary administration. As a result, at 30 June 2014 the senior debt facility, subordinated notes, working capital bridge facility and letter of credit fees totalling $125,720,000 are past due. No impairment has been recorded in respect of the loans and receivables as the Group consider that the fair value of Nexus' assets exceeds the carrying value of the loans receivable.

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, convertible preference shares, unlisted equity securities and derivative financial instruments and available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group mitigates this risk by only dealing with counterparties that meet a defined credit criteria and also by managing specific credit limits on all counterparties.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements

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.

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their level in the fair value hierarchy (except for financial instruments whose carrying value is a reasonable approximation of fair value).

	Note	Level in fair value hierarchy	2014 Carrying amount $'000	2014 Fair value $'000	2013 Carrying amount $'000	2013 Fair value $'000
Financial assets measured at fair value						
Available-for-sale financial assets	13	1	915,615	915,615	758,786	758,786
Forward foreign exchange contracts – used for hedging	12	2	671	671	4,286	4,286
Cross currency swaps – used for hedging	12	2	61,106	61,106	67,575	67,575
			977,392	**977,392**	**830,647**	**830,647**
Financial assets not measured at fair value						
Cash and cash equivalents	32a	–	128,326	128,326	542,108	542,108
Trade and other receivables	9	–	598,952	598,952	721,579	721,579
Convertible preference shares – Seven West Media Limited	13	2	302,226	302,226	276,489	276,489
Unlisted equity securities	13	3	14,654	14,654	–	–
Loans receivable	13	2	129,185	135,603	–	–
			1,173,343	**1,179,761**	**1,540,176**	**1,540,176**
Financial liabilities measured at fair value						
Forward foreign exchange contracts – used for hedging	12	2	79,625	79,625	111,677	111,677
Interest rate swaps – used for hedging	12	2	8,788	8,788	10,261	10,261
Equity derivatives	12	2	3,035	3,035	1,699	1,699
			91,448	**91,448**	**123,637**	**123,637**
Financial liabilities not measured at fair value						
Trade and other payables (excluding accruals)	16	–	356,097	356,097	476,465	476,465
Fixed term US dollar notes	17	2	600,845	654,151	684,947	739,390
Other borrowings	17	2	596,820	603,358	570,523	567,395
			1,553,762	**1,613,606**	**1,731,935**	**1,783,250**

There were no transfers between the fair value hierarchy levels during the year ended 30 June 2014.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

Financial instruments measured at fair value

The fair value of financial instruments traded in active markets (such as available-for-sale securities) 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 fair value of forward foreign exchange contracts are determined using quoted forward exchange rates at the reporting date.

The fair value of interest rate swaps and cross currency interest rate swaps are calculated using the present value of the estimated future cash flows of these instruments.

The fair value of 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 6.8% (2013: 2.2% to 5.5%) 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 7.2% (2013: 7.7%).

The fair value of convertible preference shares held in Seven West Media Limited was determined using standard bond pricing calculations taking into account the 7.143% accretion in redemption value over five years and 9% market yield for comparable instruments.

The fair value of the loans receivable was determined by adjusting for the face value of the Nexus subordinated notes.

(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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Master Netting or Similar Arrangements (continued)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Financial instruments in the statement of financial position $'000	Related financial instruments that are not offset $'000	Net amount $'000
YEAR ENDED 30 JUNE 2014			
Financial assets			
Forward foreign exchange contracts – used for hedging	671	553	118
Cross currency swaps – used for hedging	61,106	22,226	38,880
	61,777	**22,779**	**38,998**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	79,625	13,991	65,634
Interest rate swaps – used for hedging	8,788	8,788	–
Equity derivatives	3,035	–	3,035
	91,448	**22,779**	**68,669**
YEAR ENDED 30 JUNE 2013			
Financial assets			
Forward foreign exchange contracts – used for hedging	4,286	4,286	–
Cross currency swaps – used for hedging	67,575	42,623	24,952
	71,861	**46,909**	**24,952**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	111,677	36,648	75,029
Interest rate swaps – used for hedging	10,261	10,261	–
Equity derivatives	1,699	–	1,699
	123,637	**46,909**	**76,728**

(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 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 7 for details of dividends paid and proposed but not provided for during the current year.

Directors' Declaration

Year ended 30 June 2014

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 44 to 106 and the Remuneration Report, set out on pages 17 to 40 in the Directors' Report, 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 2014 and of its performance for the financial year ended on that date; and

   (ii) 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. There are reasonable grounds to believe that the Company and the group entities identified in Note 25 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2014.

4. The Directors draw attention to Note 1(A) 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

MC Wells
Chairman of the Audit & Risk Committee

Sydney
27 August 2014

Independent Auditor's Report

to the members of Seven Group Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Seven Group Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, Notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In Note 1(A), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

to the members of Seven Group Holdings Limited

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the 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 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(A).

Report on the remuneration report

We have audited the Remuneration Report included in pages 19 to 40 of the directors' report for the year ended 30 June 2014. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Seven Group Holdings Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

27 August 2014

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 7, 207 Kent Street
Sydney NSW 2000

Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664 or

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.

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 20 August 2014 are as follows:

Shareholder	No. of Shares	% Held *
KM Stokes; North Aston Pty Limited, Wroxby 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	67.87

* Based on issued capital at date of notification

Distribution of Ordinary Shareholders and TELYS4 Shareholders

Category (No.s)	Ordinary Shareholders	TELYS4
1 – 1,000	5,220	9,347
1,001 – 5,000	4,033	624
5,001 – 10,000	556	33
10,001 – 100,000	273	18
100,001 – and over	44	3
Total No. of Holders	10,126	10,025
No. of Holdings less than a Marketable Parcel	484	9

Twenty Largest Ordinary Shareholders

Name of Shareholder	No. of Shares	% Held
North Aston Pty Limited	38,500,000	12.71
North Aston Pty Limited	26,874,092	8.87
North Aston Pty Limited	26,276,333	8.68
Wroxby Pty Limited	25,000,000	8.25
Ashblue Holdings Pty Limited	23,000,000	7.59
North Aston Pty Limited	22,459,575	7.42
Ashblue Holdings Pty Limited	20,000,000	6.60
Ashblue Holdings Pty Limited	19,082,442	6.30
HSBC Custody Nominees (Australia) Limited	18,957,660	6.27
JP Morgan Nominees Australia Limited	17,347,372	5.74
National Nominees Limited	12,772,654	4.23
Citicorp Nominees Pty Limited	7,522,376	2.49
Wroxby Pty Limited	5,731,907	1.89
UBS Nominees Pty Limited	3,166,776	1.05
BNP Paribas Nominees Pty Limited	2,268,250	0.75
National Nominees Limited	1,670,558	0.56
RBC Investor Services Australia Pty Limited	1,079,265	0.36
QIC Limited	1,012,261	0.33
National Nominees Limited	652,000	0.22
Yalgardup Corporation Pty Limited	494,345	0.16
Total Twenty Largest Ordinary Shareholders	273,867,866	90.47

Shareholder Information

Twenty Largest TELYS4 Shareholders

Name of Shareholder	No. of Shares	% Held
Navigator Australia Limited	159,101	3.20
National Nominees Limited	154,080	3.11
UBS Wealth Management Australia Nominees Pty Limited	102,184	2.06
JP Morgan Nominees Australia Limited	86,657	1.74
Nulis Nominees (Australia) Limited	83,557	1.68
Sandhurst Trustees Limited	78,348	1.58
HSBC Custody Nominees (Australia) Limited	64,524	1.31
Australian Executor Trustees Limited	45,259	0.92
UCA Cash Management Fund Limited	42,016	0.84
Netwealth Investments Limited	28,382	0.58
SR Consolidated Pty Limited	21,435	0.43
BNP Paribas Nominees Pty Limited	19,551	0.39
Sandhurst Trustees Limited	19,489	0.39
Jilliby Pty Limited	18,500	0.38
RBC Investor Services Australia Nominees Pty Limited	18,087	0.36
Netwealth Investments Limited	17,753	0.35
ZW2 Pty Limited	17,000	0.34
Lenhut Pty Limited	15,619	0.31
Mr Edward and Mrs Deborah Griffin	12,000	0.24
JGW Investments Pty Limited	10,954	0.22
Total Twenty Largest TELYS4 Shareholders	1,014,496	20.43

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.

TELYS4

There are limited voting rights attached to TELYS4 as detailed in their terms of issue. In broad terms, a holder has the right to vote if a dividend is in arrears, on a proposal to reduce share capital, affecting rights on the TELYS4, on a winding up of the company, on a disposal of the whole undertaking of the company, on a resolution to approve a buy-back agreement and during the winding up of the company. Upon conversion of the TELYS4, the resulting issued shares will confer full voting rights.

Stock Exchange Listing

The Company is listed with the Australian Securities Exchange Limited and the home exchange is Sydney.

On-Market Buy-Back

There is a current on-market buy-back.

Corporate Directory

SEVEN GROUP HOLDINGS LIMITED
Level 2, 38-42 Pirrama Road
Pyrmont NSW 2009
Ph: (02) 8777 7777
Fax: (02) 8777 7778

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Ph: (08) 9377 9444
Fax: (08) 9377 1791

WESTRAC NSW
1 WesTrac Drive
Tomago NSW 2322
Ph: (02) 4964 5000
Fax: (02) 4964 8524

WESTRAC ACT
78 Sheppard Street
Hume ACT 2620
Ph: (02) 6290 4500
Fax: (02) 6260 2814

WESTRAC CHINA
Sky Centre Tower A
No 22 Wanyuan Street
Beijing China 100176
Ph: (86) (10) 5902 1666

ALLIGHTSYKES WA
12 Hoskins Road
Landsdale WA 6065
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Fax: (08) 9302 2122

ALLIGHTSYKES NSW
42 Munibung Road
Cardiff NSW 2285
Ph: (02) 4954 3333
Fax: (02) 4954 3303

Company Information

LIST OF DIRECTORS
Kerry Stokes AC (Executive Chairman)
Peter Ritchie AO (Deputy Chairman)
Don Voelte AO (Managing Director & Chief Executive Officer)
Dulcie Boling
Terry Davis
Christopher Mackay
Bruce McWilliam (Commercial Director)
Ryan Stokes (Chief Operating Officer)
Richard Uechtritz
Prof. Murray Wells

COMPANY SECRETARY
Warren Coatsworth

REGISTERED OFFICE
Company Secretariat
Level 2
38-42 Pirrama Road
Pyrmont NSW 2009

SHARE REGISTRY
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

AUDITOR
KPMG
10 Shelley Street
Sydney NSW 2000

LEGAL ADVISORS
Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Clayton Utz
Level 15
1 Bligh Street
Sydney NSW 2000

SGH
Industrial Services, Media and Investments