ANNUAL REPORT 2017

ENABLERS

SEVEN GROUP HOLDINGS LIMITED
ABN 46 142 003 469

SGH | Industrial Services, Media, Energy and Investments

ANTONIO TALITE
PLANT MAINTENANCE AND COMPLIANCE OFFICER, COATES HIRE

Antonio is one of the key people who transformed the way Coates Hire conducts maintenance on its hire equipment.
See page 22 for more

JOHN HUKKA
TECHNICAL TRAINER – CONDUCTING CUSTOMER TRAINING ON A 16M GRADER

THERESE HEGARTY
DIRECTOR OF CONTENT DISTRIBUTION & RIGHTS, SEVEN NETWORK

Therese is closely involved in all Seven's content initiatives and drives the expansion of Seven's content business internationally.
See page 24 for more

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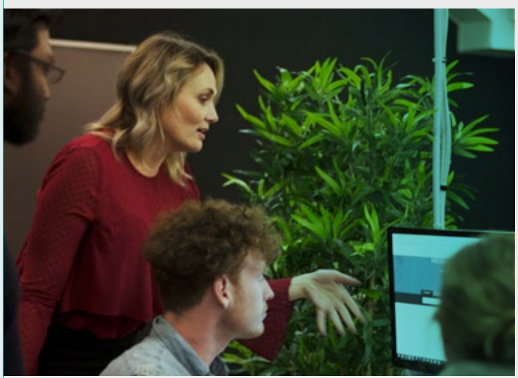
ENERGY

JOEL THOMPSON
BRANCH MANAGER – CONSTRUCTION/ HIGHWAY TRUCKS, WESTRAC

30
OTHER INVESTMENTS



SALLY MCPHERSON
CHIEF OPERATING OFFICER, iSEEKPLANT

Meet Sally, who with brother Drew and childhood friend Matt has enabled thousands of project managers around Australia to find and hire almost any machine they need, in a few easy fingertip steps.
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NABLERS

GROUP STRUCTURE

Our market leading Industrial Services businesses are uniquely positioned to benefit from the mining production cycle and increased infrastructure investment on the East coast. The focus remains on enabling customer performance with a differentiated service, superior logistics and technology advances.

WesTrac CAT

100% AUSTRALIA

coateshire

46.5%

ALLIGHTSYKES

100%

Discontinued operation

WesTrac 威斯特 CAT

100% CHINA

INDUSTRIAL SERVICES

Seven West Media is focused on engaging its audiences and delivering value through powerful storytelling. As the most valuable marketing platform in Australian broadcast history, the company is providing unprecedented opportunities to launch new brands, products and programs.

100%

50%

MEDIA INVESTMENTS

The Group is well positioned to benefit from the current shortage in East coast gas through its energy assets and targeted investments.

22.7%

AUSTRALIAN ASSETS

› Longtom field (100% ownership), Gippsland Basin VIC
› Crux field (15% ownership), Browse Basin WA
› Echuca Shoals exploration permit (100% ownership), Browse Basin WA

INTERNATIONAL ASSETS

› 11.2% ownership in Bivins Ranch, Texas USA

ENERGY

The Group will continue to explore opportunities to enhance the value of its listed investments as a store of value and liquidity.

LISTED PORTFOLIO

Carrying value at June 2017 – $486.3m

PROPERTY PORTFOLIO

Direct property investments

Carrying value at June 2017 – $29.4m

› Kings Square development, Perth WA
› Seven Hills (formerly Dianella studios, Perth WA)

Indirect property investments

Carrying value at June 2017 – $26.2m

› Invested in unlisted property trust (Flagship – 47%)

OTHER INVESTMENTS

CHAIRMAN'S LETTER

We have great assets, a strong management team and an engaged workforce, which will enable us to capture the opportunity of improving markets in which we operate.

Kerry Stokes AC
Executive Chairman

24%
Total shareholders return over 3 years

ATTRACTIVE EBIT
Multiple on sale of WesTrac China

A range of initiatives undertaken by your Board and Management over the past three years has ensured Seven Group Holdings (SGH) has been well positioned to prosper through challenging market conditions.

A key component of these initiatives has been the significant restructuring of our businesses, with the support of an engaged workforce and committed management. Our goal was to right-size the labour force and refine the cost base to ensure we stayed competitive, while supporting our customers to improve their efficiencies and increase production volumes.

This has allowed them to adjust their respective business models to meet the challenges. Today we are seeing the signs that market conditions, particularly for our Industrial Services businesses in Australia, have started to improve.

The Group's Industrial Services operations, which include WesTrac, Coates Hire and AllightSykes, have effectively leveraged the resource production cycle and new infrastructure investment cycle, particularly in the eastern states of Australia, to create long-term value for the Group.

SGH has continued to focus on creating shareholder value through disciplined capital management. Our fundamental belief that we traded at a discount to theoretical value, supported the Group's willingness to consider further on-market share buy-backs of both the ordinary and TELYS4 shares.

The underlying strength of our businesses is now being appreciated by capital markets, with SGH positioned in the top quartile of total shareholder returns over the last three years against the ASX 100.

Our businesses continue to invest in world class facilities, which will enable us to continue to service our customers effectively. One such investment is the new service centre and parts warehouse in Western Sydney, which will enable WesTrac NSW to work more closely with customers in the fast growing South West region.

It is also with some mixed emotion that today we announce the proposed sale of WesTrac China to Lei Shing Hong, subject to regulatory approval. WesTrac China commenced operations in 2000 in the territories of Hebei, Liaoning, Heilongjiang, Jilin, Shanxi, and Inner Mongolia.

In partnership with Caterpillar, WesTrac China has forged close customer relationships and established a leading market presence in these territories.

I would also like to recognise the performance of the team in China, headed up by Lawrence Luo, who has been pivotal in organically building this business. As a result of this transaction, SGH will be able to re-deploy capital into other investments.

Our media interests are in a period of rapid change, especially in how we engage with our audiences of all ages. Our capacity to connect with them across all media and all screens, particularly mobile devices, will determine our future. While Seven Network delivered a record revenue share above 40 per cent in the free to air market, it acknowledges that the pie is diminishing and there is a need to adapt with new strategies.

Unlike our overseas competition, free to air broadcasters need to comply with a range of local rules regarding local program production and content, however we recognise the Federal Government's minor levelling of the playing field by eliminating television licence fees.

As we look to the future I'd like to pay tribute to Professor Murray Wells, who elected to retire as a Director in November 2016, after 20 years of distinguished service. I thank Murray for his valuable work, particularly for his contribution as Chairman of the Audit & Risk Committee, where he played a critical role in establishing the governance framework supporting the Group.

We have great assets, a strong management team and an engaged workforce, which will enable us to capture the opportunity of improving markets in which we operate. 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 staff and shareholders, for your continuing support and commitment to your Company.

Ryan Stokes
Managing Director &
Chief Executive Officer

MD & CEO'S LETTER

The Annual Report this year highlights some of the exceptional employees across our many businesses who, with their industry knowledge, skills and tenacity are enabling the successful transformation of our market leading businesses.

Ryan Stokes
MD & CEO

The focus this year has progressed from cutting costs and restructuring to utilising data and technology to better deliver compelling customer propositions with differentiated service.

Our market leading Industrial Services businesses were uniquely positioned to benefit from the mining production cycle and increased infrastructure investment on the East coast. However it was the staff who captured these opportunities to deliver a full year result substantially ahead of an original flat market earnings guidance. We are deeply grateful for their efforts and will continue to focus on their development and engagement whilst increasing our attention on diversity.

Our drive to improve operational performance has not just focused on systems and technology – safety is paramount and we have made significant improvements with LTIFR and TRIFR down across WesTrac, Coates Hire and AllightSykes. Our focus remains on embedding a positive safety culture supported by the provision of safety leadership training at all levels. We continue to enhance our safety management systems to further improve and standardise hazard incident capture and risk assessment processes which is extended to contractors.

This year we have benefited from ongoing demand for parts and services created by the high level of mining production. This demonstrates the strength of the CAT dealer model working through the cycle to be able to deliver value to our customers. The CAT value proposition continues to provide a compelling offering for WesTrac's customers. CAT's developments in Autonomous Haulage Systems (AHS) are enabling our customers in achieving new levels of productivity, efficiency and safety.

14%
Growth in product support

10%
Underlying EBIT growth

The Group's strategy has been consistent around a few core themes:

- Compete aggressively for market share in each of the industries in which we operate;
- Collaborate with our customers to provide innovative solutions to their problems;
- A disciplined approach to enhancing the value in our energy assets; and
- Focus on costs and capital management and driving efficiencies across all of our businesses.

Our team has executed this strategic agenda and delivered a total shareholder return for FY17 of 93.8 per cent and 23.8 per cent over three years. This placed SGH in the top three performing companies in the ASX100 for 2017.

In terms of financial performance, the Group's revenue grew 2 per cent on the prior year, despite a 21 per cent fall in Product Sales mainly due to the delivery of Roy Hill mining fleet in the prior year. While new equipment mining sales remain challenging, construction sales increased 16 per cent. Supporting our maintenance deferral thesis, Product Support revenue grew 14 per cent off record parts volumes, as customers sought to ameliorate their maintenance backlog on an ageing fleet.

Positively, the Group's share of results from Coates Hire improved $19.5 million against the prior year with a reinvigorated management team capturing the infrastructure and construction activity in New South Wales and Victoria. Furthermore, the fleet relocation, price realisation and branch rationalisation initiatives have borne fruit, evidenced by a 36 per cent increase in Coates Hire's EBIT margin.

On both a continuing and total operations basis, Group underlying EBIT improved 10 per cent on FY16 and was at the upper end of the Group's revised earnings guidance for FY17.

The ability to generate strong operating cash flows through the cycle remains a hallmark of the Group. Operating cash flow per share of $1.05 represents a robust total dividend coverage ratio of 2.1 times. A continued focus on working capital optimisation by the Group's industrial services businesses resulted in the Group generating an operating cash flow to EBITDA conversion rate of 104 per cent, broadly comparable to the record 117 per cent achieved in the prior year.

The reduction in statutory NPAT primarily reflects the Group's equity accounted share of non-cash intangible asset impairment provisions recognised by Seven West Media Limited (SWM) during the year of $374.0 million.

During the year SGH was approached to sell WesTrac China. This initiated a review of our current territories and led SGH to the conclusion that it would be logical to consider the merits of a potential merger of dealers in China to gain further scale, extend product offering and customer facing capability. The sophistication of both our customers and Caterpillar is necessitating investments in systems, data analytics and technology solutions that will require scale for the investment to be value accretive.

These conclusions were supported by the fact that major customers, such as the state-owned enterprises (SOE) and global miners, are requiring Caterpillar dealers to hold more inventories, extend payment terms and take on greater product risk to support their growth and efficiency drives.

In reviewing WesTrac China's performance, it is with significant pride we acknowledge that we have built a market leading dealership in North East China, which despite challenging economic conditions, is profitable and achieving market leading PINS. This dealership has grown significantly in capability reflected in AFC rebuild volume being achieved through Tianjin Rebuild Center, the first installation and successfully commissioned low content methane engines and the commissioning of a new CRM platform allowing the mobile management of front line activities. This transformation has been led by a capable local management team with global experience across multiple OEMs. The next phase of growth we believe will be supported by further scale.

In considering its position, SGH concluded that Lei Shing Hong was in the best position to nurture the WesTac China business and using its adjacent territories to provide a comprehensive customer proposition enhancing Caterpillar's leading market position and building on the successes of both dealerships. The proposed sale should not be seen as a lessening of SGH's support for the Caterpillar dealer model but a reflection that SGH has to recycle capital into activities where the Group can generate a cost of capital return.

Beach Energy delivered strong operating performance off the back of a record full year production of 10.6 MMboe, up 9 per cent on the previous year. But even more pleasing, it is targeting similar levels of production for the next three years made possible by their exploration drilling success resulting in both 1 and 2P reserves almost doubling. These reserves make Beach Energy Australia's largest onshore oil producer with a major gas business.

In addition, the Group undertook an offshore inspection and testing campaign at Longtom in the Gippsland Basin where the Longtom 3 and Longtom 4 wells have been shut-in due to an electrical fault. Rectification works were undertaken and both wells are available for production subject to the Group negotiating commercial agreements for pipeline access and gas processing. Together with the Longtom 5 development, which is ready to drill, the Group can deliver in excess of 80 PJ of uncontracted gas into the tight East coast market.

The Board maintained your dividend through this challenging cycle whilst making efficient use of available capital via the share buy-back to enhance shareholder returns. As our share price more closely reflects intrinsic value, the Board has elected to increase the interim dividend by 5 per cent to 21 cps demonstrating their confidence in the financial and operating outlook for the Group.

We remain committed and focussed on the delivery of our strategy – margin expansion, cost control and cash generation. Our market leading Industrial Services businesses provide quality, recurrent cashflows underpinning cash generation through the cycle.

We believe that the combination of our assets, people and opportunities will allow SGH to continue to deliver shareholder value. On behalf of the Management team I thank you, our shareholders, for your continuing support and commitment to your Company.

FIVE YEAR RESULTS

	2017 [(a)] $m	2016 $m	2015 $m	2014 $m	2013 $m
Trading revenue	**2,884.7**	2,837.7	2,779.6	3,088.2	4,751.6
Underlying results [(b)]					
EBITDA	**366.9**	340.8	376.6	422.5	686.0
EBIT	**333.3**	302.8	314.5	374.4	622.8
Profit before tax	**249.8**	213.6	230.9	302.2	514.0
Profit after tax	**215.4**	184.2	204.3	253.2	398.9
Underlying EPS	**0.67**	0.56	0.59	0.74	1.20
Statutory results					
Profit before tax	**79.3**	217.0	(650.1)	310.7	622.9
Profit after tax	**46.2**	197.8	(359.1)	262.5	488.6
Reported EPS ($)	**0.07**	0.60	(1.29)	0.77	1.49
Operating cash flow per share ($) [(c)]	**1.05**	1.10	0.96	0.80	2.73
Free cash flow per share ($) [(d)]	**0.96**	0.93	0.60	0.52	2.69
Full year fully franked dividend declared per share ($)	**0.41**	0.40	0.40	0.40	0.40

(a) 2017 figures include continued and discontinued operations. Refer to page 10 for further detail.

(b) Underlying results comprise Statutory results adjusted for significant items and are separately disclosed and reconciled to Statutory performance in Note 3 of the Annual Report to assist users in understanding the financial performance of the Group. Accordingly they are a non-IFRS measure. Non-IFRS measures have not been audited or reviewed.

(c) Cash flow per share is calculated by dividing the operating cash flow of the Group by the weighted average number of ordinary shares outstanding during the year.

(d) Free cash flow is operating cash flow less investing cash flow of the Group divided by the weighted average number of ordinary shares outstanding during the year.

OPERATING AND FINANCIAL REVIEW

GROUP BUSINESS MODEL

Industrial Services

WESTRAC AUSTRALIA
CONTROLLED BUSINESS
SGH OWNERSHIP: 100%

INDUSTRY
mining and construction equipment

STRATEGIC POSITION
#1 equipment solution company in WA and NSW/ACT

TRADING REVENUE FY17
$2,203.7M

SEGMENT ASSETS
$1,585.2M

COATES HIRE
JOINT VENTURE
SGH OWNERSHIP: 47%

INDUSTRY
industrial and general equipment hire

STRATEGIC POSITION
#1 Australian equipment hire company

TRADING REVENUE FY17
$918.2M

SEGMENT ASSETS
$300.2M

ALLIGHTSYKES
CONTROLLED BUSINESS
SGH OWNERSHIP: 100%

INDUSTRY
industrial lighting, pumps, generators and engines

STRATEGIC POSITION
supplies one of the world's broadest ranges of lighting towers, pumps, generators, engines and compressors

TRADING REVENUE FY17
$68.7M

SEGMENT ASSETS
$37.1M

Discontinued operations

WESTRAC CHINA
CONTROLLED BUSINESS
SGH OWNERSHIP: 100%

INDUSTRY
mining and construction equipment

STRATEGIC POSITION
one of the leading equipment solutions companies in China

TRADING REVENUE FY17
$602.4M

NET ASSETS HELD FOR SALE
$543.4M

Media Investments

SEVEN WEST MEDIA
ASSOCIATE
SGH OWNERSHIP: 41%

INDUSTRY
diversified media

STRATEGIC POSITION
Australia's largest diversified media company

TRADING REVENUE FY17
$1,676.0M

CARRYING VALUE
$442.4M

Energy

ENERGY
CONTROLLED BUSINESS (SGH ENERGY) AND INVESTMENT IN BEACH ENERGY LIMITED

SGH OWNERSHIP: 100% (SGH ENERGY) AND 23% (BEACH ENERGY)

NON-OPERATED 11% INTEREST IN A TEXAS OIL FIELD

STRATEGIC POSITION
uniquely positioned to take advantage of the Australian East coast gas shortage

BEACH ENERGY TRADING REVENUE FY17
$647.0M

SEGMENT ASSETS
$771.4M

Other Investments

INVESTMENTS

the listed investment portfolio is a store of value and source of liquidity

UNREALISED GAINS RECOGNISED IN RESERVES AT JUNE 2017
$103.0M

PROPERTY

direct investments include Kings Square and Seven Hills developments in Perth, WA

Indirect investments comprise a holding in Flagship

REALISED GAINS DURING THE YEAR
$18.8M

FINANCIAL PERFORMANCE

	Underlying trading performance[a]			Less: Significant items[b]			Statutory results (as reported)		
Year ended 30 June 2017	Cont. $m	Discont.[c] $m	Total $m	Cont. $m	Discont.[c] $m.	Total $m	Cont. $m	Discont.[c] $m	Total $m
Revenue	2,282.3	602.4	2,884.7	–	–	–	2,282.3	602.4	2,884.7
Other income	51.7	4.2	55.9	(4.4)	–	(4.4)	56.1	4.2	60.3
Share of results from equity accounted investees	121.0	–	121.0	303.3	–	303.3	(182.3)	–	(182.3)
Impairment reversal of equity accounted investees	–	–	–	(128.4)	–	(128.4)	128.4	–	128.4
Fair value movement of derivatives	–	–	–	(1.9)	(2.1)	(4.0)	1.9	2.1	4.0
Expenses excluding depreciation and amortisation	(2,127.3)	(567.4)	(2,694.7)	8.8	–	8.8	(2,136.1)	(567.4)	(2,703.5)
Profit before depreciation, amortisation, net finance costs and tax	**327.7**	**39.2**	366.9	**177.4**	**(2.1)**	175.3	**150.3**	**41.3**	191.6
Depreciation and amortisation	(30.5)	(3.1)	(33.6)	–	–	–	(30.5)	(3.1)	(33.6)
Profit before net finance costs and tax	**297.2**	**36.1**	333.3	**177.4**	**(2.1)**	175.3	**119.8**	**38.2**	158.0
Net finance expense	(81.3)	(2.2)	(83.5)	(4.8)	–	(4.8)	(76.5)	(2.2)	(78.7)
Profit before tax	**215.9**	**33.9**	249.8	**172.6**	**(2.1)**	170.5	**43.3**	**36.0**	79.3
Income tax expense	(28.8)	(5.6)	(34.4)	(1.9)	0.6	(1.3)	(26.9)	(6.2)	(33.1)
Profit for the year	**187.1**	**28.3**	215.4	**170.7**	**(1.5)**	169.2	**16.4**	**29.8**	46.2

	Underlying trading performance[a]			Less: Significant items[b]			Statutory results (as reported)		
Year ended 30 June 2016	Cont. $m	Discont.[c] $m	Total $m	Cont. $m	Discont.[c] $m.	Total $m	Cont. $m	Discont.[c] $m	Total $m
Revenue	2,237.2	600.5	2,837.7	–	–	–	2,237.2	600.5	2,837.7
Other income	69.5	6.7	76.2	(17.2)	–	(17.2)	86.7	6.7	93.4
Share of results from equity accounted investees	90.0	–	90.0	(1.0)	–	(1.0)	91.0	–	91.0
(Impairment) of equity accounted investees	–	–	–	0.4	–	0.4	(0.4)	–	(0.4)
Fair value movement of derivatives	–	–	–	(4.2)	(1.0)	(5.2)	4.2	1.0	5.2
Expenses excluding depreciation and amortisation	(2,092.1)	(571.0)	(2,663.1)	17.1	2.5	19.6	(2,109.2)	(573.5)	(2,682.7)
Profit before depreciation, amortisation, net finance costs and tax	**304.6**	**36.2**	340.8	**(4.9)**	**1.5**	(3.4)	**309.5**	**34.7**	344.2
Depreciation and amortisation	(33.1)	(4.9)	(38.0)	–	–	–	(33.1)	(4.9)	(38.0)
Profit before net finance costs and tax	**271.5**	**31.3**	302.8	**(4.9)**	**1.5**	(3.4)	**276.4**	**29.8**	306.2
Net finance expense	(85.7)	(3.5)	(89.2)	–	–	–	(85.7)	(3.5)	(89.2)
Profit before tax	**185.8**	**27.8**	213.6	**(4.9)**	**1.5**	(3.4)	**190.7**	**26.3**	217.0
Income tax expense	(16.4)	(13.0)	(29.4)	(9.7)	(0.5)	(10.2)	(6.7)	(12.5)	(19.2)
Profit for the year	**169.4**	**14.8**	184.2	**(14.6)**	**1.0**	(13.6)	**184.0**	**13.8**	197.8

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

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

(c) The WesTrac China operating segment has been classified as a discontinued operation. Refer note 32.

DISCONTINUED OPERATIONS

The WesTrac China operating segment has been classified as a discontinued operation following the Group's decision to sell the business to Lei Shing Hong Machinery during the year. Further information regarding the transaction is provided in Note 32 – Discontinued Operations of the Annual Report.

On 1 July 2017, the Group formalised the agreement to sell WesTrac China for approximately $540 million subject to purchase price adjustments and China regulatory approval. The transaction represents the realisation of an attractive EBIT multiple. In considering its position, the Board concluded that the interests of shareholders would be best served by opportunistically selling the business, monetising its underlying value and recycling the capital into activities where the Group can generate a cost of capital return. The transaction, which recognises the intangible value associated with Caterpillar dealerships, is value accretive for shareholders and mitigates substantial credit risk associated with operating in China.

The Group's balance sheet strength and financial flexibility is significantly enhanced enabling the growth of shareholder value through earnings accretive acquisitions and capital management initiatives. The transaction is expected to complete in September 2017, subject to the receipt of China regulatory approval.

From continuing operations Group underlying earnings before interest and taxation (EBIT) for the year was $297.2 million, a 10 per cent improvement on FY16.

CONTINUING OPERATIONS

The Group achieved a statutory net profit after tax (NPAT) for the year of $46.2 million, a $151.6 million decrease on the $197.8 million net profit after tax in the prior year. The reduction in statutory NPAT primarily reflects the Group's equity accounted share of non-cash intangible asset impairment provisions recognised by Seven West Media Limited (SWM) during the year of $374.1 million.

The share of SWM impairment overshadowed strengthening underlying earnings from Coates Hire where earnings contributions increased $19.5 million on FY16 due to pricing discipline and infrastructure projects on Australia's East coast and a $27.2 million increase in the earnings from Beach Energy Limited (Beach Energy) with the Group equity accounting following board representation from July 2016.

On a continuing operations basis, Group underlying earnings before interest and taxation (EBIT) for the year was $297.2 million, a 10 per cent improvement on FY16 and at the upper end of the Group's revised earnings guidance for FY17 underlying EBIT to be between 5 to 10 per cent up on FY16.

REVENUE AND OTHER INCOME

Revenue of $2,282.3 million was up 2 per cent on the prior year. Product sales fell $154.5 million or 21 per cent, with the drop-off primarily attributable to the delivery of Roy Hill mining fleet in the prior year by WesTrac Australia. While new equipment sales to the mining sector in Western Australia and New South Wales remain challenging, construction sector sales in both states were positive, increasing $27.4 million or 16 per cent on FY16. Product support revenue grew $213.4 million or 14 per cent on the prior year. Parts sales in WesTrac Australia were particularly strong, accounting for $208.9 million of the increase behind record parts volumes shipped as customers undertook maintenance work deferred during the cost cutting regimes of the previous years. Service revenue improved slightly on the prior year, up $18.8 million or 4 per cent despite the continued trend of service work insourcing as well as competitive labour markets for service personnel.

Revenue from the sale of oil, gas and condensate decreased by 19 per cent on the prior year. This was mainly attributable to the natural decline in field production at Bivins Ranch in Texas where new drilling activity is in line with minimum lease commitments. Improved oil pricing was partly offset by unfavourable movements in the average AUD-USD foreign exchange rate.

The Group undertook an offshore inspection campaign at Longtom in the Gippsland Basin where the Longtom 3 and Longtom 4 wells have been shut-in due to an electrical fault. Rectification works were undertaken and both wells are available for production subject to the Group negotiating commercial agreements for pipeline access and gas processing. Together with the Longtom 5 development, which is ready to drill, the Group can deliver 80 PJ of uncontracted gas into the East coast market which is facing significant price rises given the well-publicised shortage of supply.

Other income of $56.1 million was down 35 per cent on FY16. This is predominantly due to realised gains and lease incentive bonuses of $17.0 million in the prior year relating to the Kings Square property development in Western Australia. Also impacting the decrease in other income for the year was a reduction in dividend income from the listed investment portfolio and unrealised foreign exchange gains in FY16. The reduction in dividend income reflects the rebalancing of the Group's listed investment portfolio with the Group increasing its interest in ASX-listed aged care provider Estia Health by 7.2 per cent to 9.5 per cent. The listed investment portfolio provided a cash yield of 6.3 per cent (2016: 6.6 per cent) or 9.4 per cent (2016: 9.4 per cent) on a post-tax basis inclusive of franking credits.

Share of results of equity accounted investees fell $273.3 million on the prior year. The decrease is predominantly due to the Group's share of intangible asset impairment, restructuring costs and onerous contract provisions totalling $374.1 million recognised in the current year by SWM.

Positively, the Group's share of results from Coates Hire improved $19.5 million against the prior year. Revenue is up 15 per cent in New South Wales and Victoria with the business performing well through the infrastructure and construction activity in both states. Furthermore, the fleet relocation, price realisation and branch rationalisation initiatives undertaken in previous years has begun to bear fruit, evidenced by an increase in Coates Hire' EBIT margin to 16 per cent (2016: 11 per cent).

EXPENSES

Expenses excluding depreciation and amortisation of $2,136.1 million were broadly consistent with the prior year.

Materials cost of inventory sold and used in product sales and product support increased 4 per cent to $1,494.9 million, slightly higher than the 3 per cent increase in revenue from product sales and support during the year. The increase reflects additional net realisable value inventory provisions recognised for obsolete stock and margin compression at WesTrac Australia with the strong parts demand of the current year placing pressure on the Caterpillar supply chain resulting in increased freight costs.

Employee benefits expense for the Group decreased $19.3 million or 4 per cent to $432.1 million. The reduction primarily reflects lower headcount at both WesTrac Australia and AllightSykes where the average number of full time employees has fallen 3 per cent and 12 per cent respectively on the prior year. Also impacting the decrease in employee benefits expense was a $2.5 million reduction in restructuring and redundancy costs. Personnel count across the Group is beginning to stabilise following the extensive redundancy programs undertaken by the Group's Industrial Services businesses in previous years in response to the Australian mining sector downturn.

Operating lease rental expense decreased 5 per cent as WesTrac Australia restructured property lease agreements at its Tomago and Parramatta sites in New South Wales and South Guildford site in Western Australia. Rent savings of $4.0 million have been achieved in the current year with savings reaching $4.9 million on an annualised basis. Further information on the lease restructures is provided in Note 33 – Related Party Disclosures of the Annual Report.

Depreciation and amortisation expense decreased 8 per cent or $2.6 million predominantly due to lower resource depletion recognised for the Group's Bivins Ranch asset in-line with the natural decline in field production and new drilling activity limited to minimum lease commitments. Also impacting the reduction in depreciation expense for the year was net disposals of rental fleet with a carrying value of $9.2 million by WesTrac Australia.

NET FINANCE EXPENSE

Finance income increased $4.1 million or 89 per cent primarily due to $4.8 million interest received on a one-off legal settlement. This interest income was received in cash and also separately disclosed as a significant item and accordingly is excluded from the Group's underlying results.

Finance costs decreased by $5.1 million or 6 per cent primarily due to the repayment of a US$75.0 million USPP tranche (A$108.8 million) at 7.48 per cent in August 2016 by WesTrac Australia.

INCOME TAX

Income tax expense for the year of $26.9 million was $20.2 million higher than the $6.7 million income tax expense in FY16. The current year's income tax expense has been unfavourably impacted by the derecognition of the deferred tax asset referable to listed investments. Excluding the income tax impact associated with current year significant items of $1.3 million detailed in the significant items section below, the Group's effective tax rate of 13.8 per cent is consistent with the 13.8 per cent of the prior year, reflecting the positive contribution of franked dividends and non-assessable share of net profit after tax associated with equity investments.

SIGNIFICANT ITEMS

Significant items referable to continuing and discontinued operations contributed a net loss after tax of $169.2 million to the Group's statutory result for the year and are largely non-cash in nature. The significant items are excluded from the Group's underlying result for the year and are summarised below:

Significant items ($m)	2017	2016
Net gain on sale of other investments and mark-to-market of derivatives	1.9	4.0
Impairment reversal/(impairment) - SWM equity	128.4	(0.4)
Restructuring, redundancy and other costs	(4.8)	(10.5)
Share of equity accounted investees' significant items	(303.3)	1.0
Other items	2.5	9.3
Significant items – EBIT	**(175.3)**	**3.4**
Net finance income	4.8	–
Share of SWM impairment and significant items - no tax expense	(53.6)	–
Tax benefit relating to resolution of historical tax matters	–	10.0
Tax benefit relating to significant items	54.9	0.2
Significant items – NPAT	**(169.2)**	**13.6**

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

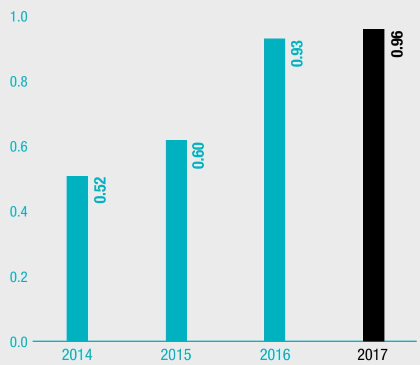
				CONTINUING OPERATIONS					DIS-CONTINUED
2017 Earnings summary ($m)	**Total Group**	**WesTrac Australia**	**Allight Sykes**	**Coates Hire**	**Media Investments**	**Energy**	**Other Investments**	**Corp.**	**WesTrac China**
Statutory EBIT	**119.8**	**159.1**	**(3.7)**	**18.6**	**(175.9)**	**83.5**	**56.3**	**(18.1)**	**38.2**
Add: unfavourable significant items									
Restructuring, redundancy and other costs	4.8	4.0	0.6	–	–	0.2	–	–	–
Loss on sale of derivative financial instruments	4.0	–	–	–	–	–	4.0	–	–
Share of equity accounted investees' significant items	380.1	–	–	6.1	374.0	–	–	–	–
Mark-to-market on derivatives	1.2	1.2	–	–	–	–	–	–	–
Less: favourable significant items									
Gain on sale of assets	(0.5)	–	–	–	–	–	(0.5)	–	–
Gain on sale of investments	(1.4)	–	–	–	–	–	(1.4)	–	–
Impairment reversal – SWM equity	(128.4)	–	–	–	(128.4)	–	–	–	–
Share of equity accounted investees' significant items	(76.8)	–	–	–	–	(58.0)	(18.8)	–	–
Mark-to-market on derivatives	(3.1)	–	–	–	–	–	(2.7)	(0.4)	(2.1)
Other items	(2.5)	–	–	–	–	–	(0.2)	(2.3)	–
Total significant items – EBIT	177.4	5.2	0.6	6.1	245.6	(57.8)	(19.6)	(2.7)	(2.1)
Segment EBIT	**297.2**	**164.3**	**(3.1)**	**24.7**	**69.7**	**25.7**	**36.7**	**(20.8)**	**36.1**

CASH FLOW

The ability to generate strong operating cash flows through the cycle remains a hallmark of the Group. Operating cash flow per share of $1.05 was slightly lower than the previous year, however represents a robust total dividend coverage ratio of 2.1 times (2016: 2.5 times). A continued focus on working capital optimisation by the Group's Industrial Services businesses resulted in the Group generating an operating cash flow to EBITDA conversion rate of 104 per cent, broadly comparable to the record 117 per cent achieved in the prior year.

Net investing cash outflows of $25.5 million represented a $73.4 million improvement on the prior year. Net capital expenditure (including payments for purchase of intangible assets) fell $17.0 million, predominantly due to reduced S3 Program expenditure and rental fleet disposals during the year by WesTrac Australia. Production, development and exploration expenditure decreased $6.5 million following completion of the Crux plug and abandonment campaign and acquisition of Longtom long-lead items in the prior year, as well as new drilling activity at Bivins Ranch limited to minimum lease commitments. Net proceeds from sale of other financial assets during the year of $2.0 million represented a $47.6 million turnaround on the net payments for other investments of FY16. The Group rebalanced its holdings within the listed investment portfolio, with share sale proceeds used to fund further investments in unlisted China media assets as well as acquire an additional 7.2 per cent interest in ASX-listed aged care provider Estia Health.

Free cash flow, being net operating cash flow less net capital expenditure continues to improve, up $4.9 million or 2 per cent on FY16. Current year free cash flow per share of $0.96 represents the fourth consecutive year of increased free cash flow as illustrated in the graph below.



Free cash flow per share ($)

The ordinary share buy-back program is due to conclude in March 2018, with no shares bought back during the year given the share price appreciation. Similarly, the TELYS4 program concluded on 16 August 2017, with no shares bought back during the year.

FINANCIAL POSITION

Trade and other receivables decreased $217.9 million, with $174.3 million of the decrease due to the reclassification of amounts attributable to the WesTrac China group as assets held for sale. Also impacting the reduction in trade and other receivables was settlement proceeds from 25 lots sold last June at the Seven Hills residential development in Perth Western Australia as well as the receipt of amounts due from a one-off legal settlement concluded in the prior year.

Inventories decreased $176.6 million, with $147.1 million due to the reclassification of amounts attributable to the WesTrac China group as assets held for sale. The balance is due to successful efforts by the Group's industrial services businesses to reduce used equipment inventories as well as additional inventory obsolescence provisions recognised by WesTrac Australia. Continued refinements to its inventory management program saw WesTrac's inventory turn improve to 3.7 times (2016: 3.3 times) in Western Australia while New South Wales achieved inventory turn of 3.5 times (2016: 3.7 times).

Assets held for sale represent the assets associated with the WesTrac China disposal Group. Further information is provided in Note 31 – Assets Held For Sale in the Annual Report.

Investments accounted for using the equity method increased $138.5 million to $1,136.5 million at 30 June 2017. The Group's interest in Beach Energy was reclassified from financial asset fair valued through other comprehensive income to equity accounted associate following Mr Ryan Stokes appointment to the board of Beach Energy, accounted for a majority of the increase since 30 June 2016. Partially negating this was the recognition of the Group's 41 per cent share of Seven West Media's $745.0 million net loss after tax, which included non-cash intangible asset impairment, restructuring costs and onerous contract provisions of $988.8 million.

Other financial assets decreased $375.8 million to $598.8 million, with $266.2 million attributable to the previously mentioned classification of Beach Energy to equity accounted associate. Unfavourable mark-to-market (MTM) movements of $75.8 million and losses of $30.6 million realised on the Group's listed investment portfolio also contributed to the year-on-year decrease in other financial assets.

Proceeds on disposals of $63.9 million were used to increase the Group's stake in Estia Health to 9.5 per cent (2016: 2.3 per cent) and as well as fund capital call commitments in the unlisted Chinese media investments.

Property, plant and equipment decreased $12.1 million, with $15.3 million due to the reclassification of amounts attributable to the WesTrac China disposal group to assets held for sale. Excluding this, the net increase of $3.2 million is due to net additions to rental fleet by WesTrac Australia.

Exploration and evaluation assets increased $4.2 million to $222.2 million.

Producing and development assets decreased $0.6 million to $213.9 million, predominantly due to the natural decline in field production at Bivins Ranch in Texas.

Exploration and evaluation assets increased $4.2 million to $222.2 million. The Group continues to participate in work plans for the Crux LNG development project in the Browse Basin. The near term work plan, led by operator Shell Australia, involves further technical studies, commercial activities and final concept selection. Many proposed LNG projects in the region have been deferred, and with existing regional supply set to decline in the early 2020's, Crux is favourably positioned as a backfill option that can enhance returns for existing project owners.

Intangible assets decreased $323.2 million with $323.7 million due to the reclassification of the Caterpillar distribution network attributable to the WesTrac China disposal group to assets held for sale. The net increase of $0.5 million relates to WesTrac Australia's continued investment in SAP via its S3 Program.

Trade and other payables decreased $58.4 million, with $94.0 million due to the reclassification of amounts attributable to the WesTrac China disposal group to liabilities held for sale. The net increase of $35.6 million is due to cut-off timing of year end creditor payments by WesTrac Australia.

Liabilities held for sale represent the liabilities associated with the WesTrac China disposal Group. Further information is provided in Note 31 – Assets Held For Sale in the Annual Report.

Current and non-current deferred income decreased $141.1 million, with $35.7 million due to the reclassification of amounts attributable to the WesTrac China disposal group to liabilities held for sale. Also contributing to the decrease was the release of machine deposits for Roy Hill fleet delivered during the year as well as the cessation of a number of maintenance and repair contracts (MARCs) in WesTrac Australia, with customers now entering into maintenance partnership agreements (MPAs) or component service agreements (CSAs), demonstrating WesTrac's ability to meet the changing needs of customers.

Total current and non-current provisions increased $4.8 million. Excluding the $7.8 million decrease due to the reclassification of amounts to liabilities held for sale relating to the WesTrac China disposal group, the net increase of $12.6 million is attributable to the recognition of make good provisions on WesTrac Australia's commercial and residential properties during the year.

Total current and non-current interest bearing loans and borrowings decreased $253.7 million, with $37.1 million due to the reclassification of amounts attributable to the WesTrac China disposal group to liabilities held for sale. Also contributing to the reduction in interest bearing loans and borrowings was the repayment of a

US$75.0 million (hedged amount $108.8 million) tranche of US Private Placement (USPP) notes, $40.0 million short-term facility from Caterpillar and $53.0 million net repayment of the corporate syndicated facility. A revaluation of the Australian Dollar against the United States Dollar, with the AUD-USD exchange rate closing at 0.7692 (30 June 2016: 0.7426) at 30 June 2017 also reduced the AUD carrying value of WesTrac's USPP notes. However given the notes are fully economically hedged, the decrease in carrying value was offset by an increase in the carrying value of the Group's cross currency swaps and foreign forward exchange contracts.

Shareholder equity fell $273.2 million predominantly due to unfavourable MTM movements on the Group's listed investment portfolio and foreign currency translation of the WesTrac China's US Dollar net assets as a result of the year-on-year revaluation of the Australian Dollar against the United States Dollar. Also impacting the decrease in shareholder equity for the year was the $91.7 million net reduction in retained earnings with ordinary and TELYS4 dividends paid exceeding the Group's statutory net profit after tax in FY17.

NET DEBT AND CAPITAL MANAGEMENT

Net debt decreased by $59.4 million to $1,308.1 million at 30 June 2017 as the Group utilised operating cash flow to fund net capital expenditure of $24.2 million, $46.2 million in the listed portfolio mainly Estia Health and $21.3 million in other unlisted investments as well as funding ordinary and TELYS4 dividends totaling $137 million.

Despite the reduction in net debt, the Group's gearing ratio only increased slightly to 35.0 per cent at 30 June 2017 (FY16: 34.0 per cent), primarily due to the equity impact of the share of SWM's Significant items and unfavourable MTM movements in the Group's listed portfolio.

At 30 June 2017, the Group had cash and available undrawn debt facilities totaling $982.5 million, down $87.6 million on the prior year excluding WesTrac China. Furthermore, approximately 60 per cent (FY16: 59 per cent) of the Group's drawn debt facilities is fixed with average remaining tenor of 3.7 years.

During the year, the following facilities matured and were repaid: $108 million of the USPP, $40 million facility to Cat Finance and $30 million facility to ANZ in China making use of Group cash reserves to repay external debt.

The Company did not buy back any ordinary or TELYS4 shares during the year given the strong appreciation in the price of both shares. The ordinary share buyback program will terminate in March 2018.

SGH continues to pay fully-franked dividends on both its ordinary and TELYS4 shares, with the final ordinary dividend increased to $0.21 per share payable in October 2017, taking the Company's full year dividend payout ratio to 60 per cent of underlying EPS (FY16: 71 per cent).

Whilst SGH does not disclose a formal dividend policy, decisions regarding future dividend payout ratios and franking levels will be made with regards to the Group's medium term underlying profitability, Australian tax payable position, total number of ordinary shares on issue and alternative investment opportunities available.

Within these constraints, SGH aims to maintain dividends per share through the cycle with a view to increase the dividend over the longer term.

OUTLOOK AND FUTURE PROSPECTS

WesTrac has benefitted from a strong parts performance over the past year which is expected to continue while service revenues will be impacted by ongoing cost reduction programs including insourcing of maintenance work being undertaken by some customers. While product sales in the mining market are anticipated to remain subdued, there has been an increase in forward orders coupled with limited slot availability that provide confidence in fleet renewal within the next 18 to 24 months.

Coates Hire is expected to continue to benefit from branch rationalisation and fleet redeployment undertaken in the prior year, together with price realisation strategies as the New South Wales and Victoria infrastructure projects are delivered. In Energy, earnings from Beach Energy are expected to increase with continued growth in production as demand strengthens, driven by the current East coast gas shortage. In the Gippsland basin, Longtom 3 and 4 are ready for production subject to availability of third party gas processing.

Seven West Media should benefit from the broadcast of the Commonwealth Games to underpin its robust television market share growth in a challenging advertising market.

Seven West Media should benefit from the broadcast of the Commonwealth Games to underpin its robust television market share growth in a challenging advertising market. Publishing trends are set to continue with targeted costs reductions to offset the uplift in AFL costs. Assuming a similar television market outcome, Seven West Media FY18 EBIT is estimated to be 5 per cent down on FY17.

The pending sale of WesTrac's operations in China will enhance the Group's balance sheet strength and provide the Group with further flexibility to consider value accretive acquisitions in FY18. The transaction is subject to China regulatory approval and is expected to complete in September 2017.

Taking into account the above factors, the Group anticipates FY18 underlying EBIT to be up 5 to 10 per cent on the current year on a continuing operations basis excluding WesTrac China.

INDUSTRIAL SERVICES

ALYSHA ROSS
APPRENTICE
WESTRAC WA

Alysha is one of a growing number of female apprentices in WesTrac workshops; she demonstrates the kind of drive and determination that makes the company's teams work so effectively. Alysha has taken a change in career direction to pursue her interest in mechanics, put herself through a pre-apprenticeship and is now enjoying the diversity and challenge in her everyday work. WesTrac is delighted to see women like Alysha becoming part of its traditionally male dominated workshops.

KERRY TONTA
PARTS OPERATIONS MANAGER
WESTRAC WA

The recent growth in parts sales for CAT products certainly turned up the heat for WesTrac's Parts Operations Manager Kerry Tonta, but she couldn't be more delighted to be in such an exciting part of the business. Kerry and her team responded to the pressure by creating a solutions-based service that has transformed the way WesTrac supplies customers. The team is working closely with customers to forecast their operational needs, streamline procurement processes and improve efficiencies in inventory management. The cost savings for customers have been significant. Now with tried and tested supply models for specific project and industry needs, WesTrac offers leading solutions for all its customers.

WesTrac is one of the world's leading Caterpillar (CAT) dealers specialising in the supply and maintenance of CAT industrial equipment.

WesTrac

WesTrac is one of the world's leading Caterpillar (CAT) dealers specialising in the supply and maintenance of CAT industrial equipment. It services the mining, construction, and transport industries of Western Australia (WA), New South Wales (NSW) and the Australian Capital Territory (ACT).

WesTrac's customers help to provide the raw materials and build the infrastructure that powers the global economy. WesTrac partners with CAT, the world's leading original equipment manufacturing company, to provide market-leading equipment solutions and the vital after-sales service and support to ensure that the essential wheels of the industry continue to turn.

The CAT value proposition continues to provide a compelling offering and a huge advantage for WesTrac customers who enjoy the benefits of advanced technology and significantly greater efficiencies than alternative products, building on 80 years of R&D and industry experience.

CAT's developments in Autonomous Haulage Systems (AHS), for example, are taking mining operations to new levels of productivity. AHS enable driverless trucks to operate 18 to 22 hours per day at optimal efficiency with minimal human intervention, increasing asset life and lowering the total cost of ownership. Wireless networks, global positioning technologies and on-board intelligence systems provide ultimate control and reliability in operations. These sophisticated products are resulting in unprecedented safety and efficiency, while eliminating human factors risk and minimising wear and tear on equipment.

CAT products are also proving their value in quality and sheer robustness, as WesTrac customers push the limits of their equipment in order to optimise maintenance costs. Lower commodity prices drove many customers to delay the recommended scheduled maintenance work. In many cases, customers are extending the design life of their equipment by up to 25 per cent! WesTrac is working closely with customers to help them cost effectively manage these maintenance requirements.

During FY17, WesTrac continued its enterprise-wide transformation program to ensure its operating model, people, processes and systems are all geared to deliver on its commitment to be the first choice in equipment solutions.

In these challenging trading conditions, WesTrac has continued to focus on cost management, operational efficiency and customer service excellence to provide better outcomes for its customers.

Ongoing technological innovation and apprentice training also deliver value-added solutions and benefits to customers, the industry and the wider community.

WesTrac equips some of Australia's biggest mining, construction and materials handling projects with the heavy equipment, onsite and aftersales support, equipment management expertise and confidence that customers need to bring their projects in on time and on budget. As one of the largest CAT dealers in the world, and the authorised dealer for new and used CAT machinery across Western Australia, New South Wales and the Australian Capital Territory, WesTrac Australia sets the benchmark for the whole of life management solutions to make the equipment ownership and operation as easy, profitable and safe as possible.

Customer satisfaction and confidence are prime objectives of WesTrac and the key drivers for support initiatives such as innovative machine monitoring software, finance and insurance options, highly skilled technical back up and training for customer personnel.

WesTrac also boasts its own accredited training facility, the WesTrac Institute, which provides comprehensive, nationally recognised training in CAT machine use, tooling and equipment, systems and processes. This ensures operators and technicians within its own and customer companies can achieve optimal results from their equipment, and that the sector can access the next generation of key personnel through its varied apprenticeship programs.

FY17 highlights

As capital expansion in the mining and resources sector continued to be limited during FY17, trading revenue increased by 2.8 per cent to $2,203.7 million from $2,143.7 million in the prior year. However, the components of revenue fundamentally changed, with new and used equipment sales down 22 per cent to $537.3 million, while product support revenue climbed 15 per cent to $1,666.4 million.

The lower mining equipment sales in FY17 was the consequence of the comparatively strong result in FY16 associated with the significant delivery of equipment for the Roy Hill mining project. In addition, traditional mining customers in Western Australia have been holding onto equipment rather than upgrading in the current climate, and this has also impacted the company's FY17 product sales figures. Partly offsetting these impacts was the boost to construction equipment sales, particularly in NSW where increasing infrastructure activity is driving new opportunities for WesTrac.

A focus on productivity improvements and cost cutting not only saw customers extending equipment life but also delaying maintenance work or taking it in-house. Whilst this reduced some of the service revenue for WesTrac the continued underlying strong export volumes of key commodities also presented a range of opportunities. WesTrac Australia Management was quick to capitalise on these conditions by reinvigorating the CAT supply chain with a greater focus on parts supply for maintenance, component exchange and servicing of ageing equipment.

WesTrac invested more heavily in critical parts inventory and components to ensure customer demand for parts and technical support could be met when and where required, and down time minimised for customers. It anticipated inevitable maintenance requirements for operational equipment, and to undertake the backlog of maintenance to effectively reinstate the equipment that is currently lying idle.

WesTrac also redesigned production operations to increase the efficiency of major component maintenance. This has not only allowed WesTrac to improve productivity, but has resulted in a more competitive range of offering for its customers.

EXCEPTIONAL CUSTOMER SERVICE AT WESTRAC'S PARTS DESK SUPPORTED THE 15 PER CENT INCREASE IN PRODUCT SUPPORT SALES IN FY17

WesTrac Australia ($m)	2017	2016	% Change
Product sales	537.3	691.7	(22)
Product support	1,666.4	1,452.0	15
Other revenue and other income	10.8	19.9	(46)
Total revenue and other income	**2,214.5**	**2,163.6**	**2**
Segment EBIT	**164.3**	**165.3**	**(1)**
Segment EBIT margin (%)	7.4	7.6	(3)

This reflects WesTrac's expertise in analysing historical data and working closely with customers to skillfully anticipate their equipment needs, and establish preventative maintenance and overhaul schedules.

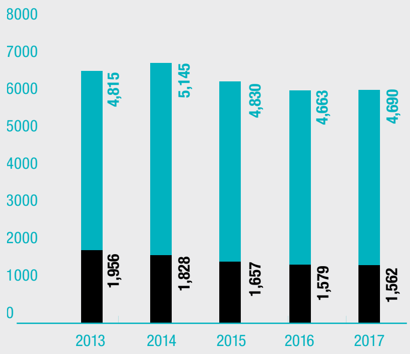
WesTrac's proactive responses to these trends and growth in parts sales were the key to achieving an overall 15 per cent increase in product support revenue. Consequently, divisional EBIT was $164.3 million for FY17, down just 1 per cent from the previous year, while the EBIT margin was slightly down at 7.4 per cent.

Eventually ageing equipment will need to be replaced as Australian iron ore and coal export volumes grow and the sector recovers. There were early signs of this recovery in the second part of FY17. Higher commodity prices will also provide increased support for greater customer investment in new equipment, along with regular maintenance servicing.

In NSW, the government has ramped up infrastructure spending that appears to be the beginning of a sustained upturn in expenditure which includes major urban road projects such as WestConnex, the Badgery's Creek airport, duplication of the Pacific Highway and several major public transport projects. These initiatives are focused on managing congestion in the growing Sydney basin. We are already seeing signs of increased demand on the CAT factory resulting in lead times being extended, reflecting reinvigorated global demand for replacement equipment.

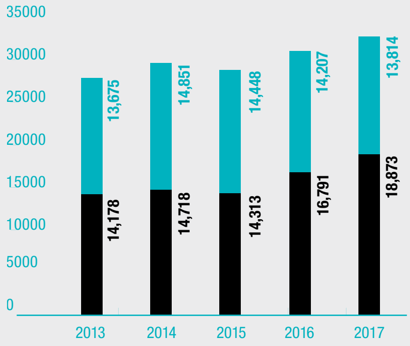
In addition, confidence has returned to the thermal coal sector in NSW. The price for high quality thermal coal has effectively doubled in 12 months, which is good news for the WesTrac customer base and should support reinvestment in this sector.

WesTrac NSW is in the process of moving its Parramatta operational facility to a new purpose built facility at Casula to be located closer to infrastructure construction activities in the western Sydney growth corridor. This will place the new facility within a half-hour drive to 50 per cent of its customer base and aims to improve service responsiveness.



Equipment population mining

■ NSW Mining ■ WA Mining



Equipment population construction

■ NSW Construction ■ WA Construction

The NSW operation has also invested in its project management capabilities in readiness for major capital infrastructure projects. This has included vertically integrating its service activities to provide direct in-house access to previously outsourced segments of the value chain.

Similarly, in Western Australia, upgrades have been made to the Guildford distribution centre and an extensive expansion to the component rebuild centre to ensure local capacity for its customer base with enhanced service efficiency.

WesTrac continues to provide its personnel and customers with training support to help them keep up-to-date with new technologies and to ensure current equipment use is being maximised. Technology continues to play an important role in improving safety and creating efficiencies in the industries that WesTrac supplies and services. It has reinvigorated its apprentice programs through the WesTrac Institute, developing an important skill base for future generations.

	Value of parts inventory	# of lines per day packed and shipped (average)	Delivered on-time%
2017	218.2	12,550	90
2011	39.0	3,867	89

Becoming increasingly customer-centric is critical to our business. As their requirements change, we need to be right there with them. This agility has made all the difference to this year's result.

Jarvas Croome, Chief Executive, WesTrac Australia

FY18 outlook

Close partnerships with customers and a solid understanding of the CAT supply chain will continue to be priorities for WesTrac in FY18. In addition, the company will look to the analysis and application of production and supply data to optimise customer maintenance schedules, and continually improve production efficiencies.

WesTrac remains well positioned to take advantage of any increased demand for equipment, whilst continuing to support the extensive maintenance activities across the variety of industries that it supports. The ongoing aging profile of key equipment reinforces the long term opportunities that exist across our customer base. CAT product quality and innovations such as autonomous haulage technology will ensure the company is well positioned for this next stage of growth.

WesTrac China (Discontinued operation)

WesTrac China is the authorised Caterpillar dealer providing heavy equipment sales and support to customers in the North Eastern China provinces of Hebei, Liaoning, Heilongjiang, Jilin, Shanxi, Inner Mongolia and the municipalities of Beijing and Tianjin. The company is headquartered in Beijing and operates 44 branches and service centres to provide marketing, sales and support to its customers.

The Chinese market has traditionally been dominated by the sale of new equipment, with parts and service tending to be less original equipment manufacturer sensitive. However, the market has been volatile in recent years with the key hydraulic excavator market falling 45 per cent, 35 per cent and 45 per cent respectively over three consecutive years. Recent economic indicators show reinvigorated industrial activity in China and positive momentum. For example, during the past year, coal production increased 9.4 per cent while building construction starts were up 6.9 per cent. Steel production also increased solidly and reached within 5 per cent of the all-time high set in early 2016. In the first half of 2017, coal production increased 5.2 per cent while building construction starts were up 10.8 per cent. Steel production also increased solidly and reached within 5 per cent of the all-time high set in early 2016.

ANNY WANG
CHIEF OPERATING OFFICER,
WESTRAC CHINA

If anyone knows how to win a big contract like the one WesTrac China won last year (170 excavators!) it's Anny Wang, Chief Operating Officer based in Beijing. Anny has been with the company from the beginning in 2001 and was one of the key negotiators to navigate the tough competition. From her first position as Office Representative, Anny has advanced to now take up a big stage in managing 500 employees in her business unit. Anny loves working with her team and her honest, open and encouraging approach make her one of WesTrac's truly enabling leaders.

The sale of WesTrac China at an attractive EBIT multiple is value accretive to our shareholders and demonstrates our ability to recycle capital in a disciplined and opportunistic manner.

Ryan Stokes, MD & CEO, SGH

Caterpillar ranks as a number one original equipment manufacturer in greater China, reflected by its PINS (percentage of industry new sales) performance, which has increased and is a positive sign for key dealers like WesTrac. WesTrac China services a diverse customer base, which ranges from state-owned enterprises operating large mining projects, to owner operator construction enterprises, bulk shipping terminals and commercial property developers. Its authorised CAT sales region supports 62 per cent of total Chinese coal output and 55 per cent of total iron ore output.

FY17 highlights

The hydraulic excavator market rebounded strongly in FY17, with year to June sales up 160 per cent. This reflected in strong new sales for WesTrac China, particularly, with major customers from Inner Mongolia reinvesting in new fleet. WesTrac China recorded a solid operating result in FY17, with underlying EBIT increasing 15 per cent to $36.1 million.

While trading revenue was largely unchanged for the year EBIT margin increased 0.8 percentage points to 6.0 per cent. This was due to a positive change in product sales mix and a strong focus on cost and operating efficiencies over the past two years.

An order for 170 large excavators from a major Inner Mongolia customer, along with other sizeable orders for large wheel loaders, were instrumental to improving the product sales mix and increasing market share in FY17. These orders reflect improved economic activity and stronger market conditions for mining and infrastructure projects in the WesTrac sales territories.

The overall 8 per cent increase in product sales was due to an increase in higher margin excavator sales.

The 18 per cent decline in product support revenue reflects a deferral of parts purchases by a major mining customer.

Sale rationale

During the year, SGH was approached to sell WesTrac China. This initiated a review of the merits of a potential sale of WesTrac China. SGH concluded that Lei Shing Hong was in the best position to nurture the WesTrac China business and using its adjacent territories to provide a comprehensive customer proposition enhancing Caterpillar's leading market position and building on the successes of both dealerships.

In considering SGH's position, the Board concluded that the interests of shareholders would be best served by opportunistically selling the business, monetising its underlying value and recycling the capital into activities where the Group can generate a cost of capital return. The transaction, which recognises the intangible value associated with Caterpillar dealerships, is value accretive for shareholders and mitigates substantial credit risk associated with operating in China.

China dealership territories

WesTrac China ($m)	2017	2016	% Change
Product sales	456.4	421.2	8
Product support	146.0	177.5	(18)
Other revenue and other income	4.2	8.5	(51)
Total revenue and other income	**606.6**	**607.2**	**–**
Segment EBIT	**36.1**	**31.3**	**15**
Segment EBIT margin (%)	6.0	5.2	15

The Coates Hire team is passionately committed to safety and dedicated to delivering world class equipment solutions to our customers. We continually strive for high standards of excellence and look for ways to work smarter to provide the right equipment solutions and deliver better outcomes for our customers.

Jeff Fraser, Coates Hire CEO

Coates Hire FY17 revenue end market split

Oil & gas	7%
Mining & resources (production)	10%
Mining & resources (development)	6%
Industrial maintenance	6%
Events	3%
Commercial manufacturing	12%
Engineering & construction	34%
Residential	4%
Non-residential	13%
Government	5%

Coates Hire

Coates Hire is Australia's largest equipment solutions company offering more than 20 categories of general hire and specialist equipment to customers across a range of industries including engineering, mining and resources, manufacturing, construction, infrastructure and major events. Coates Hire has operations throughout Australia and in Indonesia. Seven Group Holdings owns a 46.5 per cent interest in Coates Hire Limited.[1]

FY17 highlights

With a renewed leadership team at the helm during 2017, Australia's largest equipment hire company finished the financial year strongly and well-positioned for growth into the new year. A continued focus on customer service, disciplined cost and capital management and process improvements have underpinned the turnaround in the current year.

Revenue grew 5 per cent to $918.2 million, while underlying EBIT grew 46 per cent to $142.0 million. The underlying EBIT margin increased 440 basis points to 15.5 per cent. A strong balance sheet is fundamental to its success with debt management an ongoing focus for Coates Hire. Net debt reduced by $133.5 million during FY17.

Responding to the change in the market demand and the focus on meeting its customer needs were instrumental in lifting the performance. This included the redeployment of equipment from weak West Australian and Queensland markets, to take advantage of the buoyant infrastructure and construction climate in New South Wales and Victoria.

Providing a world class customer experience is at the heart of the Coates Hire business. The sheer breadth, depth and scale of the company's market-leading fleet, together with its highly skilled product and service teams, can design innovative end to end solutions for its customers. The ability to provide customers with deep expertise, highly personalised service and efficient maintenance support are central to providing true value. Streamlined digital solutions, and an increased focus on run-up and service checks (RUSC) and turn-around time (TAT), have been targeted service improvement areas during FY17.

1 Coates Hire is an equity accounted investment and not consolidated by SGH. The 46.5 per cent economic interest in Coates Hire is based on diluted interest after considering vesting conditions for options issued under the Management Equity Plan

An enabling mindset

The Coates Hire in-house training facility supports ongoing development in skills, safety and quality, and its partnership with DuPont Safety experts has helped move the company closer still to its Zero Harm target – an improvement of 48 per cent in the company's annual Lost Time Frequency Rate (LTIFR) since 2016 with three business units reporting current rolling 12 month a LTIFR of zero. Improved workplace practices and daily communications are driving a culture of engaged and active employees, contractors and customers. Coates Hire prides itself on maintaining high standards and helping customers manage their risks.

Cost savings continued during FY17, building on initiatives commenced in FY16. These included matching the Coates Hire's business footprint to market demand and location, streamlining business processes, and improving procurement and cost discipline throughout the organisation. Rationalising the branch network and restructuring of line and management positions has resulted in a reduction of 5 per cent in headcount during FY17.

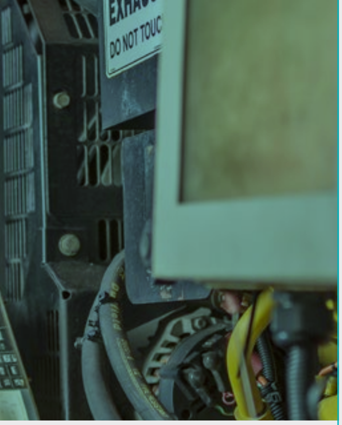
Coates Hire ($m)	2017	2016	% Change
Revenue and other income	918.2	873.0	5
Gross profit	544.9	514.6	6
Underlying EBITDA	307.6	266.7	15
Underlying EBIT	142.0	97.3	46
Statutory NPAT	31.7	(17.8)	>100

Segment result ($m)	2017	2016	% Change
Share of Coates Hire underlying NPAT	23.2	3.7	100
Management fee	1.5	1.5	–
Segment result	**24.7**	**5.2**	**>100**

FY18 outlook

The Coates Hire business is well positioned for growth in coming years, which will be driven predominately by the East coast infrastructure and construction projects. Market conditions in Western Australia remain challenging.

The leadership team will maintain its focus on business agility to respond to market demand and customer needs, disciplined cost and cash management and process improvements to deliver sustainable growth.



ANTONIO TALITE
PLANT MAINTENANCE AND COMPLIANCE OFFICER, COATES HIRE

Antonio is one of the key people who transformed the way Coates Hire conducts maintenance on its hire equipment. It took Antonio months of diligent data entry, analysis, system development and testing, before the new 'Run Up Safety Check' (RUSC) was launched to improve efficiencies in routine safety checks.

A once cumbersome, paper-based process has now become a data driven, highly targeted and efficient exercise that takes a third of the time and gives the field mechanics mobile access to all the information they need. If anyone knew how to put this kind of data together it was Antonio, he has been working with Coates for almost 17 years!

AllightSykes

AllightSykes is a market leader in the manufacture and distribution of lighting, dewatering and power solutions primarily for the mining, construction and industrial sectors. The company delivers innovative engineered solutions for clients in Australia and internationally, including New Zealand, South Africa, the Middle East, Indonesia and the Americas. It also provides equipment sales and support for brands such as FG Wilson and Caterpillar/Perkins.

AllightSykes prides itself on providing robust, reliable machinery for demanding conditions, with value options that make ownership and operation simple and cost effective for customers. It is committed to finding environmentally sustainable solutions to lighting, power generation and water problems; and is a market leader in LED lighting solutions.

FY17 highlights

AllightSykes scored some significant goals this year including winning a globally competitive infrastructure contract for the 2022 Soccer World Cup in Qatar; and being recognised for distributor excellence by Perkins, one of its highly-valued partnerships. It is a tangible acknowledgement of the transformation to date.

AllightSykes reported FY17 trading revenue of $68.7 million, as the mining and rental industries stabilised and traditional customer markets began displaying early signs of growth, with the second half stronger than the first half. An increased focus on customer needs has also contributed to revenue growth during the year.

A new CEO and leadership team have prioritised increasing the company's responsiveness to customer needs, in both the management of customer enquiries as well as the development of best fit equipment solutions. This has included establishment of a centralised Customer Support Centre, extended attributes on its Customer Relationship Management (CRM) system, and a heightened focus on data collection and analysis.

AllightSykes is embracing the information revolution to monitor performance and demand trends, track product groups and customer buyer patterns, and inform strategic decision making. A reorganisation of geographical business units according to product lines is another initiative that is increasing strategic focus on product development and service options. The overall result is a more sophisticated understanding of customer needs and greater capacity to design solutions to customer problems, rather than simply provide products and a service offering.

Getting close to our customers, really understanding their needs and providing them with a complete and carefully tailored solution – whether for their farm or multi-national mining operation – is the heart and soul of what we do.

Paul Thompson, AllightSykes CEO

AllightSykes prides itself on providing robust, reliable machinery for demanding conditions, with value options that make ownership and operation simple and cost effective for customers.

FY17 also produced signs of the mining industry returning to growth after challenging conditions and lower activity in recent years. Increased global demand for resources has not only led to an improved outlook for mining projects in Australia but also in Latin America and Sub-Saharan Africa; in countries like Ghana, Mozambique, Zambia and Colombia.

FY18 outlook

Building on foundations developed in FY17, AllightSykes' leadership will continue to position the company so it is ready to capitalise on an expected high demand from infrastructure projects. Across the globe there is public demand and political commitment to renew, replace and redesign the ageing roads, ports, rail and water systems, buildings and bridges, as well as embrace advances in technology, especially in energy and telecommunications.

The future looks exciting for AllightSykes and it will continue to position itself as a long-term solutions-driven partner that works closely with its customers, dealers and suppliers to add value and drive the business growth allowing it to return to profit in FY18.

AllightSykes ($m)	2017	2016	% Change
Product sales	40.9	41.3	(1)
Product support	27.8	28.4	(2)
Other revenue and other income	0.3	0.1	>100
Total revenue and other income	**69.0**	**69.8**	**(1)**
Segment EBIT	**(3.1)**	**(3.4)**	**9**
Segment EBIT margin (%)	(4.5)	(4.9)	8

MEDIA INVESTMENTS

THERESE HEGARTY
DIRECTOR OF CONTENT DISTRIBUTION & RIGHTS, SEVEN NETWORK

Therese Hegarty is Seven's Director of Content Distribution & Rights. Therese is closely involved in all Seven's content initiatives and drives the expansion of Seven's content business internationally. The last year has seen a New Zealand production office added to production ventures in the UK and USA. She loves connecting the creative process to the business and deal making that supports and enables ideas to come to life, find an audience and drive revenue for Seven.

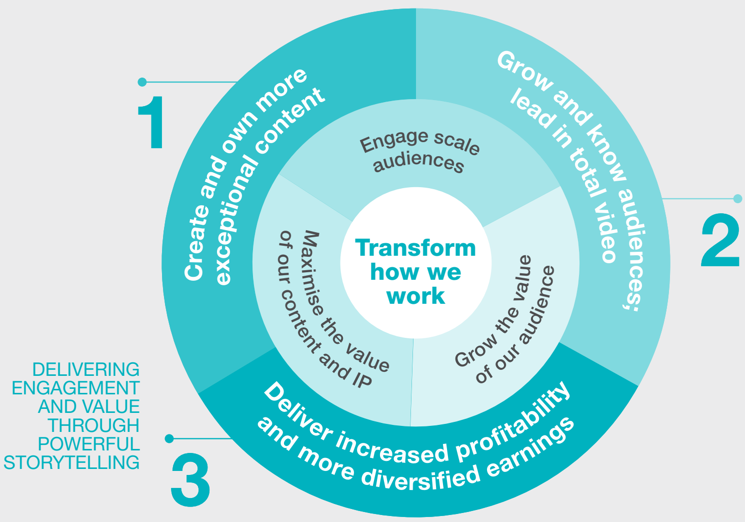
WILL HEDBERG
DIGITAL TEAM,
SEVEN NETWORK

Will is one of the enablers in Seven's digital media team, responsible for bringing digital ideas to life. The phenomenal growth in the digital media world makes this an exciting challenge, but Will has to keep his feet on the ground to ensure a solid commercial financial strategy is in place and the company's performance is carefully tracked. This is quite a task, as the digital market requires a very different thinking to that in traditional strategies. Thankfully Will's six years' experience in digital media pretty much makes him an old timer in this field and he is now supported by a team of digital experts across the business to help make SWM the market leader across every platform.

Seven West Media Limited (SWM) is Australia's leading multiplatform media company with a market-leading presence in television, content production, digital, magazine and newspaper publishing with a monthly reach of 16.5 million Australians.

Seven West Media

Seven West Media Limited (SWM) is Australia's leading multiplatform media company with a market-leading presence in television, content production, digital, magazine and newspaper publishing. Seven Group Holdings owns a 41 per cent interest in SWM, home to many of Australia's best performing media businesses, including the Seven Television Network, Pacific Magazines, West Australian Newspapers, Yahoo7 and Presto.



Without doubt SWM is a market leader in Australian media. Today it produces more content than at any time in its history, with an expanding presence across the globe. But the media landscape has changed so significantly, and the variety of channels are now so extensive, that the SWM must continue to evolve if it is to secure its leadership position into the future. SWM has begun a transformational journey to strategically reposition for the next era in its history and redefine its place in a digital world. SWM's primary focus into the future will be in delivering engagement and value through powerful storytelling. Its strategy for delivering this will be built upon three pillars:

1. **Creating and owning exceptional content.** SWM is already the largest production company in Australia and enjoys unrivalled program sales to the US and UK. Unlike its traditional rivals, SWM owns and controls most of its own content. It develops, executes and markets more than 850 hours of content across multiple genres each year. Further investment in content will drive growth in television earnings.
2. **Growing and knowing audiences; lead in total video.** The old adage about knowing your audience is never truer than in today's digital world. Audience composition and the way it views media has changed, so content – especially video content – is king in the new world. The revenue pie for total video is growing and SWM is investing in growth initiatives to increase its share of that revenue.
3. **Delivering increased profitability and more diversified earnings.** Free to air TV remains the media platform with the greatest audience reach; and SWM is focused on using the power of television advertising to build value beyond the traditional ways of doing things. The company has already started implementing strategies that use the powerful multiplier impact of television advertising to boost the value of investments.

Within this framework, SWM will seek to engage scale audiences, grow the value of its audiences and maximise the value and IP of content. The new strategy is set to transform the way the company currently works.

FY17 highlights

Television

The Seven Network has continued its exceptional ratings performance through FY17 showing consistency in its delivery of leadership with a 40.2 per cent revenue share of the metro free-to-air television market for the year.

Media investments ($m)	2017	2016	% Change
Other income	1.4	3.3	(58)
Share of results from equity accounted investees	68.3	85.0	(20)
Total revenue and other income	**69.7**	**88.3**	**(21)**
Segment EBIT	**69.7**	**88.3**	**(21)**

Seven has dominated the industry for the 11th consecutive year.

- Undefeated in all survey weeks since November 2016
- Ranked #1 in revenue and ratings share
- Ranked #1 for the year in every demographic
- Hosted the #1 TV event of the year – the Australian Open Men's Tennis Final with 2.689 million viewers and the #1 winter sports event (AFL)
- #1 breakfast program, morning show, mini-series, drama and news bulletin
- #1 multi-channel group with a 9.2 combined share score (compared with 8.3 for nearest competitor)

With many of Australia's most loved and watched shows, Seven continues to entertain literally millions of Australian (and international) viewers every day.

The operating model continues to evolve with multi-platform delivery of major content including the Rio Olympics, AFL, 7Tennis and other key programming during the year. SWM also continues to expand its leadership in the creation and delivery of content anywhere, anytime to the biggest audiences. Seven ranked Number 1 in rating and revenue share in a metro advertising market that reduced by 3.6 per cent in FY17. It is the 22nd consecutive half-year period of ratings and revenue leadership.

People want easy access to great stories. Seven is in a strong position to lead the market in providing exceptional content when, where and how our customers want it.

Tim Worner, Seven West Media CEO

Western Australian media

SWM dominates the West Australian media with the state's leading metropolitan and weekend papers, as well as 20 regional newspaper publications and Perth's classified publication and website. The addition in 2016 of The Sunday Times and Perth Now to the Group's assets, allows a combined reach of 92 per cent of West Australians.

The West Australian has undergone a digital transformation with a new website and native application which is already increasing viewer options and growing its audience and revenues. An internal restructure has integrated newsroom and editorial functions to improve efficiencies.

Pacific Magazines

Another segment dominated by SWM is in the magazine category where it publishes more than a quarter of all magazines sold in Australia, reaching 51 per cent of Australia's women and 35 per cent of all Australians.

Pacific Magazines undertook two rounds of restructuring and cost reduction during FY17 which have seen the company's magazine portfolio realigned according to genre to improve efficiencies. An increased focus on building Pacific's digital presence is reaping reward with its social audience now surpassing that of its major rival.

Financial results

SWM delivered underlying EBIT of $261.4 million in FY17, down 18 per cent on FY16. This drop was primarily due to a softening in the metro television advertising revenue market, and additional costs associated with large contract events. Underlying NPAT was $166.8 million, down 20 per cent for the year. This lower result led to a 35 per cent lower contribution to SGH's Group NPAT of $68.3 million.

SWM recorded significant items of $911.8 million in the period, including the impairment of intangibles, equity accounted investees, other assets including fixed assets, restructuring costs, onerous contracts and net loss on disposal of investments.

The reduction in the carrying value of the television assets represented the largest proportion of these write downs. This has been driven by softer free to air market conditions and a revision in growth assumptions for the market outlook impacting the carrying value of the television license and certain sports rights. Prior period significant items of $32.9 million related to restructuring costs.

SWM continues to maintain a robust balance sheet with net debt of $725.7 million and a net debt to underlying EBITDA ratio of 2.4 times as at 30 June 2017.

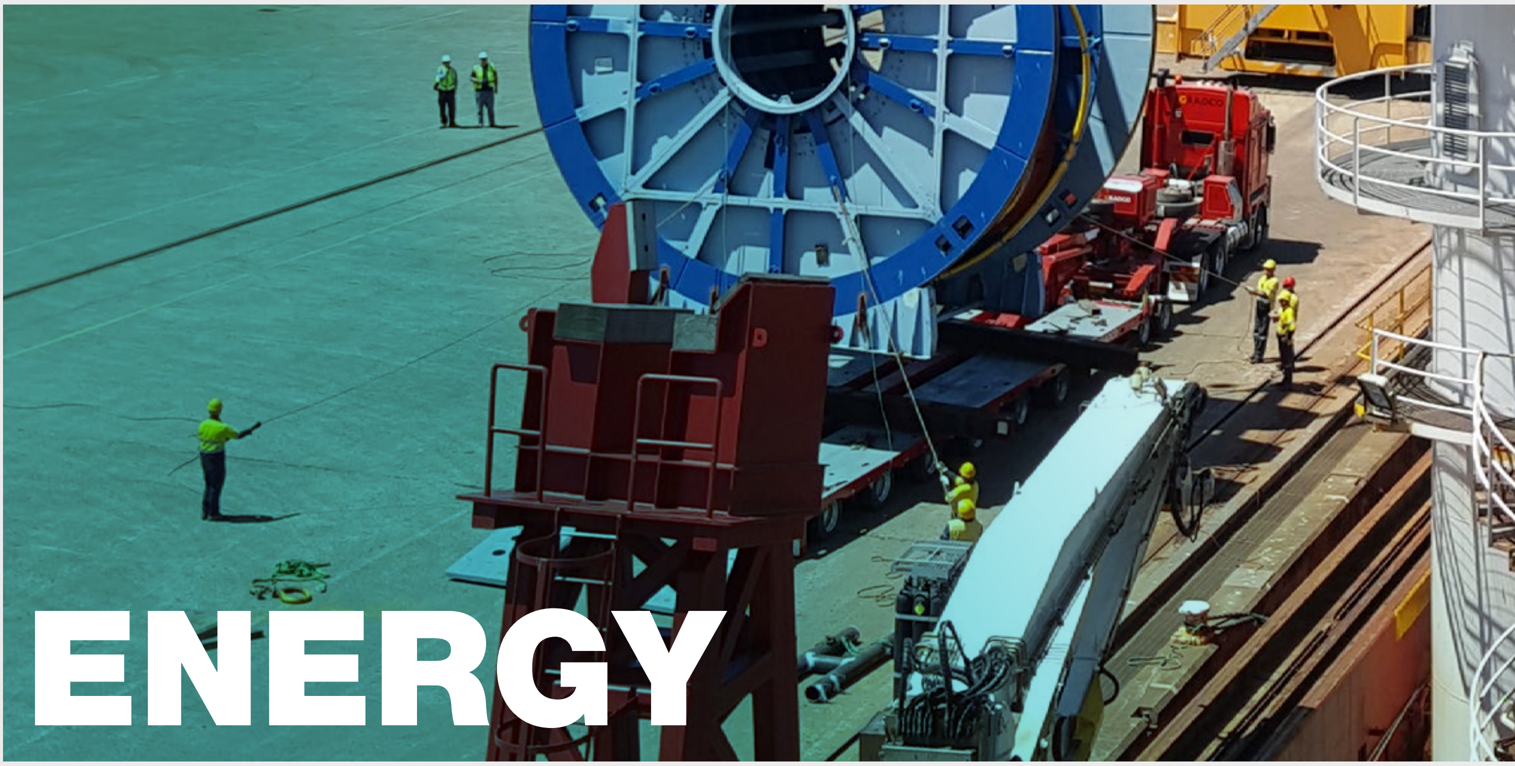
Cost reduction will continue to be an ongoing focus of all elements of the business as SWM prioritises investment in growth initiatives and diversifies its revenue streams. Increasing the company's digital capabilities and platform are at the top of the agenda.

The successful launch of Platform7 is also performing well as it enables SWM to produce and deliver digital content onto the full range of online and social media platforms. SWM has taken back control of its digital assets and is investing into new businesses that are creating value for equity holders, while at the same time generating new paying clients for SWM.

FY18 outlook

Media reform is an increasingly important and urgent initiative for the sector to ensure the industry can evolve and companies can remain competitive in the changing landscape. This includes significant license fee relief and comprehensive reform of regulations. Significant changes to the media industry regulatory framework were captured in the 2017 Federal Budget, however, it is still unclear what measures will be implemented.

SWM expects the broadcast metro market to outperform FY17 and is targeting increased advertising revenue share. Publishing trends are expected to continue, partially offset by increased growth in digital media. Cost savings are anticipated to more than offset the uplift in AFL costs in FY18. The company has provided guidance for FY18 underlying EBIT to be down 5 per cent on FY17.



The value of the Energy segment is held in the net asset value of the SGH Energy production, development and exploration interests and its interest in Beach Energy.

The value of the Energy segment is predominantly held in the net asset value of the SGH Energy production, development and exploration interests.

This portfolio comprises:

- 100 per cent interest in the Longtom gas and condensate field in Bass Strait, Victoria, with developed and undeveloped conventional resources, existing infrastructure, and the Gemfish exploration prospect;
- 15 per cent interest in the Crux gas and condensate field and associated exploration prospects on the AC/RL9 permit, operated by Shell Australia in the Browse Basin off the coast of North-West Australia;
- 100 per cent interest in the WA-377-P (Echuca Shoals) exploration permit, also located in the Browse Basin, and
- 11.2 per cent interest in the Bivins Ranch oil producing asset operated by Apache Corporation in the Texas Panhandle region of the USA.

The Energy segment also includes the Group's 22.7 per cent equity-accounted investment in the ASX-listed company Beach Energy Limited – Australia's largest onshore oil producer with an active exploration and development drilling program in the Cooper Basin.

The oil and gas sector has seen challenging times in recent years however the volatility has eased, and with lean organisations and reduced unit operating costs, the assets and the business are positioned for resilience and growth.

Energy ($m)	2017	2016	% Change
Sale of gas and condensate	4.6	5.7	(19)
Other income	–	3.2	(100)
Share of results from equity accounted investees	28.3	–	–
Total revenue and other income	**32.9**	**8.9**	**>100**
Segment EBIT	**25.7**	**(2.3)**	**>100**

FY17 highlights

Segment EBIT increased substantially to $25.7 million in FY17 from a loss of $2.3 million in the prior year, primarily due to the inclusion of a $28.3 million share of associate net profit after tax relating to the Beach Energy investment, and SGH Energy overhead cost reductions. The solid earnings from Beach Energy were derived from a strong production result and operating cost efficiencies delivered by the new management team.

Earnings from the Bivins Ranch producing asset were in line with expectations and reflected minimal drilling activity in the relatively low oil price environment. Bivins Ranch generated $0.5 million of EBIT with total production of 99,404 Boe at an average realised oil price of US$44/bbl.

Longtom offshore oil campaign
Rectifying electrical fault

PHOTO CREDIT: MATTHEW BEWLEY – TELMARK IMAGES

Operations

A successful offshore maintenance and testing campaign at the Longtom field in Bass Strait has created the opportunity for the re-start of production from the established Longtom gas wells and infrastructure for supply into the tight East coast gas market. Commercial discussions to bring this gas to market, and provide a framework for further gas development from identified opportunities and the Gemfish exploration prospect, is a key area of focus.

The Crux project is one of the few regional offshore LNG development projects that is currently being advanced. The refined development concepts are promising significant reductions to the project cost outlook; and with a development timing that is beyond the current LNG supply abundance, we are pleased with how this project is maturing.

Lower oil prices have slowed drilling operations in the Bivins Ranch onshore field in northern Texas, USA, where the focus is currently on operating within cash flow. Improved drilling and completion efficiencies have reduced the lease-holding costs and will enhance the return on investment on newly drilled wells. Future drilling of this relatively undeveloped acreage will provide the potential to realise greater value.

Beach Energy continues to perform well as Australia's leading mid-cap oil and gas explorer and producer, as well as being the lowest cost operator in the Cooper Basin. Positive FY17 results were driven by Beach Energy's record production volume and reduction in field operating costs, and a highly successful exploration and development drilling program. The company is well-positioned to take advantage of market improvements.

Our interests are well positioned to supply into the strong market for gas on the Australian east coast, in addition to a maturing position in the regional LNG market in an outlook period of tightening regional supply.

Margaret Hall, CEO, SGH Energy

FY18 outlook

The patience and discipline exercised over the challenging conditions of the recent years will enable the longer-term strategies to bear fruit as the investment conditions stabilise. The significant tightening of the Australian East coast gas and energy market continues to provide a positive outlook for the Longtom gas asset and Beach Energy activities, with opportunity to meet local demand at prices that provide an attractive investment return.

OTHER INVESTMENTS

Other investments comprise the Group's listed investment portfolio as well as direct and indirect property holdings through unlisted trusts.

The listed investment portfolio excludes the Group's strategic holdings in Beach Energy, SWM and Prime Media Limited.

FY17 highlights

Investments and property delivered an underlying segment EBIT of $36.7 million in FY17, down 9 per cent or $3.7 million on the prior year.

The Group's investment portfolio yielded 11.5 per cent loss on a total return pre-tax basis (capturing the portfolio's mark-to-market movement, any gain or loss on disposal and dividend income combined). It under-performed the ASX/200 Index, which returned 15.7 per cent growth for the period.

Other Investments ($m)	2017	2016	% Change
Revenue	5.3	11.8	–
Other income	35.7	36.5	(2)
Share of results from equity accounted investees	0.5	1.5	(67)
Total revenue and other income	**41.5**	**49.8**	**(17)**
Segment EBIT	**36.7**	**40.4**	**(9)**

The portfolio was impacted by realised losses and negative mark-to-market movements in its Media and Telco holdings. The portfolio provided an attractive dividend yield of 9.4 per cent on a gross annualised basis and at year-end the listed portfolio included unrealised gains of $103 million on the original cost of the underlying shares.

Property

The Group's direct property holdings include the Kings Square site and former Seven Network's Dianella studio, both located in Perth, as well as exposure to holdings through unlisted property trusts. The property portfolio was impacted by the economic slowdown in the Perth property market. Revenue from residential lot sales at Seven Hills in Perth reduced from $11.8 million to $3.2 million with 12 lot settlements compared to 25 in the previous year.

To date, the Group has successfully developed Kings Square sites 1-4, while concepts for sites 5-7 have been proposed. However, the downturn in the Perth commercial property market has rendered all 5-7 sites not economically optimal at this time and further development on these has been halted for the near future.

Construction at the Seven Hills site in Perth continues with display homes now nearing completion. It is expected that the realised value of these residential land packages will be accelerated during FY18.

The Group's indirect holdings in unlisted property trusts include a 47.3 per cent stake in Flagship, where developments in Adelaide and Melbourne continue to realise value. Following the sale of buildings held by Revy in Pyrmont, the Revy trust is being wound up with a distribution of $18.8 million recognized as profit within significant items.

In line with its vision to increase its digital footprint and continue to drive innovation, SGH has allocated limited capital to investing in new technology companies that have the potential to disrupt the market in some of its traditional industries. SGH is excited to add Impulse Screen Media (ISM) and iSeekplant to its existing investment portfolio.

Kodo Apartment Development – Flagship

PAUL GARRITY (RIGHT)
CO-FOUNDER AND MANAGING DIRECTOR
JAMES D'ARCY
CO-FOUNDER AND CHIEF TECHNOLOGY OFFICER, IMPULSE SCREEN MEDIA

Impulse Screen Media (ISM) is a technology company that automates multi-screen campaigns to deliver coincidence marketing opportunities in real-time. ISM monitors TV events and triggers real-time digital buys to generate increased ROI for brands, via multi-screen optimisation. Whilst coming off a small revenue base, ISM has the potential to scale quickly – via relationships with regional broadcasters and regional/international DSPs (e.g. Facebook) and has potential for data monetisation from its large attribution data set where it may unlock new insights and growth opportunities.

iSeekplant is an online equipment intermediary company – effectively a digital disruptor in heavy equipment hire in the civil and mining sectors allowing customers to directly access equipment providers and tender requirements, acting as an effective exchange.

FY18 outlook

The Group will continue to monitor the market for opportunities to enhance the value of its investment portfolio as a store of value and liquidity and opportunistically realise value where market opportunities allow.

SALLY McPHERSON & MATT PETERS
CHIEF EXECUTIVE OFFICER &
CHIEF OPERATING OFFICER, iSEEKPLANT

Meet Sally, who with brother Drew and childhood friend Matt has enabled thousands of project managers around Australia to find and hire almost any machine they need, in a few easy fingertip steps. iSeekplant is an online plant hire booking application and website that provides access to almost 70,000 machines across 99 machine categories from 5,000 suppliers. Sally says an endorsement and investment from SGH into the young company's finances and strategic planning, was transformational in its development. SGH could see the idea's potential and the partnership has been a winner for all, especially SGH's extensive customer base of machinery and equipment users.

RISK FACTORS ASSOCIATED WITH SGH

The business activities of the Group 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 as well as general commercial and economic risks. Such 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.

To support the Company's economic sustainability, the Company maintains a Strategic Risk Assessment register that identifies, assesses, ranks and updates the main strategic risks, including material business risks, facing the Company in respect of which management formulate and record 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 the Group who are delegated responsibility to manage or escalate issues to the relevant SGH executive. Where appropriate, external advisors are appointed to assist in managing the risk.

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 pages 49 to 50 of the Corporate Governance Statement in the Annual Report.

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

Investment risks

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 Seven West Media Limited, Beach Energy Limited, Estia Health Limited and Prime Media Group Limited. 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.

Free float

SGH is controlled by a majority shareholder and, as a result, has a limited free float which means that SGH's share price can be more volatile given comparatively lower average daily trading volumes.

Investment portfolio

SGH has investments in a number of ASX listed, and unlisted, companies that it does not control. There are 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 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.

Media Investments

Viewer fragmentation in television, reduction in magazine and newspaper readership results in declines in advertising markets across all three platforms. This could negatively impact the future level of profitability of the media sector and their free cash flow generation. Further national metro newspaper readership is down 3.2 per cent. The removal of licence fees will only partially reduce the impact of the consequential revenue impacts. Media reform may provide an opportunity to mitigate these factors.

Coates Hire joint venture risk

SGH is exposed to risks associated with its investment in Coates Hire. Carlyle and SGH each hold a ~47 per cent economic interest in Coates Hire. 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 Hire in the future.

There is 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. This risk maybe further exacerbated due to the leverage related to this structure.

The Company maintains a Strategic Risk Assessment register that identifies, assesses, ranks and updates the main strategic risks.

Energy risks

A sustained or long-term weakness in oil prices will negatively impact the carrying value of the Group's Oil and Gas operations. The further complexity is that the development timetable of our interests in energy assets is effectively at the control of our partners due to access to processing, approval of drilling program and finalisation of key development concepts. Whilst the economic motivations of SGH Energy and its partners are currently aligned, should this change the development timetable for each asset could be deferred, impacting the recoverable value of the Group's Oil and Gas operations.

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. Additionally, SGH is exposed to the risk of default by one or all of the deposit-taking institutions with which SGH banks.

Ryan Stokes participating in a safety share with WesTrac employees at Parramatta.

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 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 in 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

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 advisers and working closely with taxation authorities.

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-day 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 as well as trigger accelerated prepayments across the SGH Group's key funding arrangements.

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

Workplace Safety and Security

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 each operating business and implementing Life Saving Rules which provide direction and guidance on these critical risks. The Group is committed to providing a safe workplace and maintains comprehensive workplace safety policies and systems which are overseen by health and safety specialists within each Company's human resources team and dedicated Risk, Safety and Security team. Procedures relating to security at the Company's business sites are prioritised and are subject to review and continuous improvement.

Life Saving Rules

ISOLATIONS: I will always isolate, lockout and discharge all energy sources before working on any plant or equipment.

VEHICLES: I will always ensure my vehicle is safe to drive, seatbelts are worn and I drive responsibly.

WORKING AT HEIGHTS: I will never work at height without appropriate fall protection or fall prevention in place.

LIFTING OPERATIONS: I will always check the load is secure and never walk or work under a suspended load.

HAZARDOUS SUBSTANCES: I will always ensure that I obtain, read and follow the instructions on the Safety Data Sheet (SDS) for any hazardous substance I will be working with.

CONFINED SPACE: I will never enter a confined space unless trained and authorised to do so.

ELECTRICITY: I will always ensure electrical hazards are understood and controlled before starting work.

FITNESS FOR WORK: I will never come to work or drive a vehicle under the influence of drugs or alcohol.

PLANT AND MOBILE EQUIPMENT: I will never operate plant or mobile equipment unless trained, competent and authorised to do so.

SAFETY PROTECTION DEVICES: I will never remove, bypass or modify a safety protection device (e.g. guard, interlock or barricade) without authorisation.

WesTrac CAT

CORPORATE SOCIAL RESPONSIBILITY

SGH is focused on the long-term sustainability of its businesses.

SGH is focused on the long-term sustainability of its businesses and its relationships with key stakeholders and is mindful of making a positive contribution to the community. This section outlines SGH's practices in relation to the environment, human capital management and social responsibility, principally in relation to the Group's predominant operating business, WesTrac Australia, as well as environmental practices relating to SGH Energy. Refer to pages 44 to 45 of this Annual Report for reporting on The Diversity Policy and the measurable objectives and related initiatives.

Under SGH's risk framework, the Group has identified investment, financial and operational risks which it manages and mitigates. More detail concerning these risks, as well as the Company's sustainable business practices, is set out in the Operating and Financial Review of this Annual Report on pages 32 to 34. For more information on the Company's risk management framework refer to pages 49 to 50 of the Corporate Governance Statement of this Annual Report.

WESTRAC GROUP

WesTrac Group's mission to provide ground-breaking equipment solutions that help build the world is supported by its commitment to a work culture that empowers and rewards its employees for maintaining the highest standards of workplace health, safety, environmental management and quality control.

Sustainability begins within WesTrac Group's own operations. At its facilities, WesTrac Group has established high performance standards for the environment, health and safety and has adopted Caterpillar's Production System (CPS) methodology. CPS is the order-to-delivery process that Caterpillar implemented on an enterprise-wide basis to achieve people, quality, velocity and cost goals.

ENVIRONMENT

Caring for the environment is central to how WesTrac Group conducts business and forms a key part of the company's vision to be the customers' first choice in equipment solutions. Through innovation, reduction of waste, and continuous improvement WesTrac aims to make a positive contribution to the built and natural environments and is consistently demonstrating sustainable practices in environmental management, aimed at minimisation of environmental risk and impact to clients and community stakeholders. WesTrac Group achieves its environmental objectives by:

- Being constantly aware of environmental risks and ensuring the right designs, plans, actions and people are in place to control them;
- Using energy, water and other finite resources efficiently, thereby reducing greenhouse gas emissions and waste;
- Integrating environmental requirements when designing or modifying our facilities, products and services, in order to reduce life cycle costs and environmental impacts;
- Complying with relevant laws and regulations and applying responsible standards where laws do not currently exist;
- Implementing clear and meaningful environmental targets across the business to ensure clear visibility and control over potential environmental impacts;
- Adopting best practice and focusing on continuous improvement of environmental performance throughout the business with the goal of achieving zero environmental incidents;
- Focusing on continuous improvement of environmental performance throughout the business.

WesTrac's main business premises at South Guildford in Western Australia and Tomago in New South Wales are purpose-built for product distribution and each incorporated significant sustainable design features, including energy efficient lighting, rain water capture for onsite reuse, and native and drought resistant landscaping.

Quality Management

WesTrac maintains accreditation to ISO 9001 Quality Management Systems. This entails annual audits of the company's commitment to quality systems and adherence to systems and processes that ensure the expectations of customers and other stakeholders are met. This accreditation is a core element of WesTrac's commitment to flexible solutions and quality operations.

Contamination Control

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

WesTrac operates numerous parts and component cleaning machines, including the largest machine of its type installed in WA. This technology leads to improved contamination control outcomes, and best-practice recycling and waste management features ensure that WesTrac is able to clean more components using less water and other solutions.

R7 Robowash machine has a 6 tonne weight capacity, accommodating a 20 cylinder block engine cleaner

Positive pressure ventilation in major engine workshops in Tomago and South Guildford reduces the risk of contamination and helps customers to extend the operating life of major components. WesTrac Australia has also put in place new bunding around oil storage in major storage facilities.

The increased level of bunding caters for a spill and improved loss of containment with firefighting. Storage has been moved to ensure it is segregated from other areas of the facility and reduces potential exposure to people and proximity to major warehouse facilities.

WesTrac Tomago Ecology

Since the start of WesTrac's operations in Tomago in 2012 the WesTrac basin and the adjoining swale areas have rapidly developed wetland ecology. Formerly these areas were pasture grass of limited environmental value. In the past couple of Annual Environmental Management Reports (AEMRs), it has been reported that the area is now inhabited by birds such as black swans, cygnets, ducks and frogs. Their inhabitancy of the WesTrac basin and swales is continuing. It is outlined in the Hunter Wetlands National Park Draft Plan of Management published by the NSW National Parks and Wildlife Services that the Tomago wetlands currently provides the most diverse reptile habitat in the Hunter Wetlands area. The Hunter Bird Observers Club (HBOC) recently detailed the sighting of at least 3,200 Sharp-tailed Sandpipers (Calidris acuminata) during a survey in January 2017. This accounts for approximately two percent of the Sharp-tailed Sandpiper's global population and demonstrates the ability for large numbers of migrating birds to co-exist with the project.

Reusability

WesTrac recently engaged with Caterpillar globally to analyse the businesses material scrapping and reuse policies both in NSW and WA to determine whether parts which we have previously been replaced could have been reused within tolerance. This processes has led to a revision of existing procedures and will optimise the reuse of components across WesTrac's rebuild operations, benefiting the customer from a cost saving perspective, and ultimately leading to less scrappage of component parts.

Emissions

WesTrac is currently undertaking a number of initiatives designed to help reduce emissions including the introduction of Tier 4 Final/Stage IV standards for engines which require an additional 80 per cent reduction in NOx emissions from the previous Tier 4 Interim standards. The Australian business is also in the process of converting all existing branch lighting from metal halides to LEDs and evaluating the potential to convert all major facilities to solar power by 2019. WesTrac Australia's greenhouse gas reporting is completed in October of each year. Since initial reporting in FY13, WesTrac Australia has:

- Reduced its total greenhouse emissions from 34,230 to approximately 31,621 (scope 1 + 2, t CO_2-e), representing an approximate reduction of 7.6 per cent; and
- Only increased its total energy consumption from 257,144 to approximately 263,906 (total GJ), representing an approximate increase of only 2.6 per cent.

In China, WesTrac has installed the first low content methane engine system revolutionising power generation for coal beds.

HUMAN CAPITAL MANAGEMENT

Safety

WesTrac Group promotes the early identification, assessment and control of all risks and hazards in order to prevent injury and it is committed to providing a safe working environment above all else. WesTrac Group's goal is to be recognised as an industry leader in health and safety management by:

- Making health and safety central to all business activities and encouraging employees to stop or delay work if they believe adequate risk management controls are not in place;
- Being constantly aware of WesTrac Australia's major accident and health risks and ensuring the right designs, plans, actions and people are in place to control them;
- Ensuring the ongoing physical integrity of WesTrac Australia's facilities as well as the currency and relevance of our operating procedures;
- Complying with all relevant laws, regulations and standards such as our Life Saving Rules;
- Setting internal objectives and targets, which drive us to continually improve our health and safety performance, with the aim of eliminating work-related injury and illness; and
- Engaging contractors and suppliers who share WesTrac Australia's values and working with them to consistently meet WesTrac Australia's health and safety expectations.

Injury Reporting for WesTrac Australia

	January 2016	January 2017	YTD as at June 2017
WesTrac Australia TRIFR	10.52	9.73	9.00
WesTrac Australia LTIFR	1.20	1.22	1.20

Both Total Recordable Injury Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) above are calculated as events per 1,000,000 hours worked.

TOBY RICHTER
APPRENTICE,
WESTRAC WA

Toby has barely finished his heavy diesel mechanics apprenticeship with WesTrac but is already making a mark in the company's engine centre. He excelled in his studies, and went on to win Caterpillar Asia-Pacific Dealer (APD) Top Apprentice Competition after demonstrating his capabilities across a variety of skill tests. Toby loves working on CAT engines and the satisfaction of finishing a job, and WesTrac is very pleased to have him on board. It is people like Toby who keep CAT equipment running smoothly and safely for WesTrac customers all over Australia.

WesTrac endeavours to make a positive contribution to the communities in which it operates.

Training

As a significant employer of apprentices in Australia, WesTrac developed the WesTrac Institute as part of its initiative to establish a National Skills Training Centre of Excellence. Through the Institute, WesTrac keeps its service capabilities up to date with training in the latest equipment advances as well as general training needs. With modern, state of the art campuses located in South Guildford, WA and Tomago, NSW, the WesTrac Institute is a comprehensive training centre for those looking to enter the heavy equipment industry. It is the preferred provider for all WesTrac training needs, including pre-trade and post-trade training (Automotive Heavy vehicle mechanics), machine operations, Occupational Health and Safety (OHS) and management training.

The WesTrac Institute currently delivers training and assessment in the following areas:

- Pre-employment/ pre-apprentice
- Apprentice
- Post trade (technical)
- Machine operation
- Technology
- High Risk Work Licences
- OHS

The Institute is also registered to deliver and asses units of competence and qualifications from the following training packages:

- Automotive
- Metals and engineering
- Resources and Infrastructure Industries
- Construction
- Business

The WesTrac Institute is also available to customers wishing to advance the knowledge and skills of their employees in all aspects of machine operating techniques, preventative maintenance and diagnostic inspection procedures.

Apprentice of the year

Each year WesTrac, in conjunction with Caterpillar, runs an apprentice of the year program to help promote the skills and experience of its apprentices. Participants engage in a four day assessment program hosted by Caterpillar in Melbourne which is designed to be both a reward and a challenge for the apprentices in attendance. During the week, each participant is asked to complete a number of activities that include presentations, skills and theory assessments, and visits to businesses that are leaders in their respective industry or market. This year's winner was Toby Richter from WesTrac WA.

This year WesTrac's apprentice program is expanding and the business is launching a new focus on women and indigenous participants in line with new diversity targets set across the Group. WesTrac WA also facilitated work experience with the autonomous team in Perth and local high school students culminating in one of the participants placing in top 10 globally in a robotics competition and winning best innovation and autonomous robot.

RORY WADE
WESTRAC WORK EXPERIENCE STUDENT

His autonomous robot won Best Design, Best Innovation and placed sixth in World RoboCup in Nagoya.

Employee Retention and Engagement

WesTrac Group recognises that its people are its most valuable resource. In order to attract, retain and engage the most talented people, WesTrac Group offers a competitive salary and benefits scheme commensurate with industry standards.
WesTrac Group also provides its employees with comprehensive learning and development programs designed to encourage their professional and personal development. The business also engages in a robust annual performance management cycle and succession planning program.

In order to track employee engagement and develop strategies to improve employee retention, the business participates in an annual Employee Opinion Survey which provides key insights into leadership, teamwork, engagement, satisfaction, reward and recognition and safety leadership. As part of a comprehensive Wellbeing program, employees are also provided with free, around the clock access to a dedicated employee assistance program (Access EAP), which provides pro-active and preventative counselling and support services focused on equipping employees with greater knowledge and practical skills to enhance workplace and personal wellbeing.

The Board is currently redesigning the businesses remuneration structure to increase longer-term equity participation, aligning shareholder interest and acting to ensure greater continuity. In the longer term the Board will be seeking shareholder approval to expand this new remuneration structure to secure the next generation of key leaders. For further information concerning the Company's remuneration practices please refer to the Remuneration Report on pages 55 to 73 of this Annual Report.

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 details for a dedicated and confidential external reporting 'hotline', is available on the Company's website.

INVESTMENT IN DISRUPTION AND INNOVATION

Since 2015, SGH has undertaken a strategy of investing in innovation through incubation. The strategy has a targeted and focused approach to identifying, investing in and nurturing high-potential technology-oriented businesses pursuing disruptive innovation strategies. The strategy complements the Company's core operating businesses, and the Group's longer term financial sustainability, by providing technology-driven market insights into the industries in which SGH operates as well as participating in the next wave of industry development and exposure to growth opportunities that arise as an early investor. This strategy also supports local businesses, by providing funding to allow the growth of small businesses within Australia.

Execution of the strategy includes taking a direct engagement approach with the management team to assist in their strategy execution and growth. Examples of our activities in innovation incubation include the Group's investments in iSeekplant and Impulse Screen Media.

iSeekplant is an online/two-sided marketplace where subscription paying customers can advertise their equipment for hire. The platform connects plant and asset owners with companies and individuals looking for plant hire. iSeekplant recently launched

40 WESTRAC EMPLOYEES completed The Bloody Long walk, raising funds for charity

a world-first, real-time tracking system for users that identifies where they can find unutilised machines in their local area. The platform now has well over 100,000 users on the site every month including major mining and construction companies.

Impulse Screen Media has built a unique technology platform that captures and extracts real-time data from television broadcasts, allowing brands and agencies to optimise digital media buying in real-time. Impulse Screen Media is integrated with all major Demand Side Platforms (DSPs) enabling television-synced ads across display, video, social and mobile. Impulse also offers a Television Analytics solution which leverages its proprietary Automatic Content Recognition platform. For the first time broadcasters and their clients have an accurate means of measuring just how much television branding can be attributed to searches and transactions across digital and social media platforms and plan their advertising accordingly. Impulse's cross-media marketing solutions are based on proprietary technology and enable a brand mention/action/event or sentiment on one medium – such as television – to trigger advertising on a digital medium – across search, social and display – automatically and instantly at a time when viewers are supplementing their viewing with social media engagement on a second device.

SOCIAL

WesTrac Group endeavours to make a positive contribution to the communities in which it operates. As well as contributing to a variety of community based charities and organisations throughout the year, WesTrac Group also maintains a donations and sponsorship portfolio, designed to benefit our employees, customers and the community organisations in which they participate. Each year the business participates in a number of charity fundraisers by sponsoring teams or providing financial donations to events such as:

- The MACA Ride to Conquer Cancer
- Channel Seven Perth Telethon
- Oxfam Australia Trailwalker
- Sydney's City to Surf

WesTrac Group has also established a number of strategic partnerships with charities and organisations involved in the communities and industries in which it operates, including:

- The Trans-Help Foundation
- Convoy for Kids
- Diggers and Dealers
- White Ribbon Appeal
- The NSW Rescue Helicopter Service
- The Red Cross
- RU Okay Organisation
- Cerebral Palsy Australia
- The McGrath Foundation
- The Princess Margaret Hospital Foundation
- Bloody Long Walk

WesTrac Group successfully renegotiated workplace Enterprise Agreements in NSW and WA, providing continuity and certainty for employees and the Group, as well as forming a cornerstone of WesTrac's economic sustainability.

SGH ENERGY – ENVIRONMENT

Seven Group Holdings has oversight of SGH Energy's commitment to and achievement of high standards of health, safety, environment, quality and community (HSEQC) performance, and fostering a culture of continuous improvement in these areas. SGH Energy operates within the expectation adopted across the oil and gas industry that all hazards must be reduced to as low as reasonably practicable (ALARP). This is an integral part of SGH Energy's HSEQC policy, standards and processes, which includes:

- Documenting, setting and applying standards that relate to HSEQC in the workplace and also with regards to their effect on employees, customers, contractors and the public;
- Maintaining and continuously improving the HSEQC Management System across the organisation;
- Providing adequate training to SGH Energy personnel and consultants in order to fulfil their responsibilities; and
- Fostering a culture that empowers and rewards everyone to act in accordance with this Policy.

SGH Energy's Longtom Environment Plan and Longtom Safety Case, concerning the operation of SGH Energy's Longtom production facilities, document the hazards and the specific controls that have been implemented by SGH Energy as well as targeted and measurable performance standards for the key controls to ensure that they continue to be effective. Stakeholder consultation is also a key part of the SGH Energy's environmental management process for the Longtom operation. The Longtom Environment Plan and Longtom Safety Case have both been independently accepted by Federal Petroleum Industry Regulator, the National Offshore Petroleum Safety and Environmental Management Authority, with regular inspections, both internal and by the regulator. The offshore operations conducted over the Longtom facilities in January 2017 were completed with no injuries or incidents, with this excellent result being a testament to the robust systems and the commitment of staff and contractors to high standards of performance.

BOARD OF DIRECTORS

KERRY MATTHEW STOKES AC

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

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

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

Chairman of Seven Media Group Pty Limited since December 2006.

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

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

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

RYAN KERRY STOKES

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

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

Mr Stokes is a Director of Seven West Media Limited, WesTrac Pty Ltd and Coates Hire. Mr Stokes was appointed to the Board of Beach Energy Limited in July 2016.

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

Mr Stokes is Chairman of the National Library of Australia since 2012. He is also a member of the Prime Ministerial Advisory Council on Veterans' Mental Health established in 2014. In 2015, he became a Committee member of innovationXchange (within the Department of Foreign Affairs and Trade), which provides strategic guidance on innovation in aid programs. He is also a member of the International Olympic Committee Olympic Education Commission.

Mr Stokes holds a BComm from Curtin University.

SALLY ANNABELLE CHAPLAIN

Director of Seven Group Holdings Limited since 24 November 2015.

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

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

Ms Chaplain is the independent chairman of Queensland Airports Ltd and Chairman of Canstar Pty Ltd. She is a director of Downer EDI Ltd and a former director of EFIC, Australia's export credit agency. Since April, 2017, Ms Chaplain has served as a member of the Australian Ballet board of directors.

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

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

Ms Chaplain is the former Chair of School Council for St Margaret's Anglican Girls School in Brisbane and is a member of Chief Executive Women.

TERRY JAMES DAVIS

Director of Seven Group Holdings Limited since 1 June 2010.

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

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

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

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

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

CHRISTOPHER JOHN MACKAY

Director of Seven Group Holdings Limited since 1 June 2010.

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

Former Chairman of Magellan Financial Group Limited.

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

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

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

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

DAVID IAN MCEVOY

Director of Seven Group Holdings Limited since 27 May 2015.

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

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

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

Mr McEvoy is a Non-Executive Director of AWE Limited (since 2006).

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

BRUCE IAN MCWILLIAM

Director of Seven Group Holdings Limited since 28 April 2010.

Director of Seven Network Limited since September 2003.

Commercial Director of Seven Network Limited since May 2003. Commercial Director of Seven West Media Limited.

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 from 1 June 2005 to 1 December 2016.

Alternate Director of Seven West Media Limited from 4 November 2008 to 5 March 2015.

Honorary Fellow of the University of Sydney.

THE HON. WARWICK LESLIE SMITH AM

Director of Seven Group Holdings Limited since 12 September 2014.

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

Chairman, New South Wales and Australian Capital Territory and Senior Managing Director, Australia for Australia and New Zealand Banking Group Limited. Board Director of ANZ Bank China. Chairman of the Advisory Board of the Australian Capital Equity Group of companies.

Director of Estia Health Limited since May 2017.

Director of Coates Hire since May 2016.

Chairman of the Australia China Council and Global Trustee of the Asia Society.

Former Executive Director with the Macquarie Bank Group of companies and a former Chairman of E*Trade Limited.

Former Chairman of the Australian Sports Commission. Former Telecommunications Ombudsman.

Former Minister for Sport, Territories and Local Government, Minister Assisting the Prime Minister on the Olympic Games in Sydney and Minister for Family Services.

Mr. Smith was awarded the Member of the Order of Australia (AM) in 2008, for service to the Parliament of Australia, to the telecommunications industry, to the promotion of international trade and tourism and to philanthropy through a range of charitable and community organisations.

RICHARD ANDERS UECHTRITZ

Director of Seven Group Holdings Limited since 1 June 2010.

Member of the Remuneration & Nomination Committee and member of the Independent & Related Party Committee. Chairman of the Remuneration & Nomination Committee until 3 August 2017.

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.

WARREN WALTER COATSWORTH – COMPANY SECRETARY

Company Secretary of Seven Group Holdings Limited since 28 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 holds a Masters of Law in Media and Technology Law from the University of New South Wales as well as a Graduate Diploma in Applied Corporate Governance. He is a qualified Chartered Company Secretary and a Fellow and member of the Governance Institute of Australia.

Mr Coatsworth has also held the position of Legal Counsel at the Seven Network for the past seventeen years, advising broadly across the company, and was formerly a solicitor at Clayton Utz.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2017

This statement outlines the Company's main corporate governance practices and its compliance with the 3rd edition of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (ASX Recommendations).

The Company's Board and Committee Charters and a number of the corporate governance policies referred to in this statement are available in the "Corporate Governance" section of the Company's website at www.sevengroup.com.au/about-us/corporategovernance.

Those policies which are not separately available on the Company's website are summarised in this statement. A copy of this statement is available on the Company's website.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and responsibilities of the Board

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

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

- representing and serving the interests of shareholders by overseeing, reviewing and appraising the Company's strategies, policies and performance in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution;
- 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 and monitoring systems of risk management and internal control and ethical and legal compliance;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership; and
- on an annual basis, reviewing the effectiveness of the Company's Diversity Policy.
- The Board Charter provides that matters which are specifically reserved for the Board or its Committees include:
  - appointment and removal of the Chief Executive Officer;
  - approval of dividends;
  - approval of annual budget;
  - monitoring capital management and approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
  - the establishment of Board Committees, their membership and delegated authorities; and
  - calling of meetings of shareholders.

Board Committees

The Board is assisted in carrying out its responsibilities by the Audit & Risk Committee, the Remuneration & Nomination Committee and the Independent & Related Party Committee. These standing Committees were established by the Board to allow detailed consideration of complex issues.

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

The Directors' Report on page 53 sets out the number of Board and Committee meetings held during the 2017 financial year under the heading "Meetings of Directors", as well as the attendance of Directors at those meetings.

Delegation to management

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

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

The Company has adopted a Delegated Authority Policy, which delegates to management the authority to carry out expenditure in relation to specified areas of the Company's operations, subject to the Company's policies and procedures in respect of the authorisation and signing of Company contracts, which includes a system of legal review.

The functions exercised by the Board and those delegated to management, as explained in this statement and set out in the Board Charter, are subject to ongoing review to ensure that the division of functions remains appropriate.

Senior management team

Company executives are each employed under written employment agreements, which set out the terms of their employment, including role and duties, the person to whom they report, remuneration, obligations of confidentiality, and the circumstances in which the executive's employment may be terminated.

The management of the Company during the financial year comprised the Managing Director & 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, security and compliance. In addition, several Seven West Media Limited executives provided management services to the Company, and as part of these arrangements, a portion of their salary cost was charged to the Company for the services provided to it.

Mr Ryan Stokes is Managing Director & Chief Executive Officer of the Company who is 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 executive team. Mr Ryan Stokes also 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 Managing Director & Chief Executive Officer and the 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.

Mr Murray Vitlich commenced as Chief Operating Officer of the Company on 1 June 2017, and is tasked with responsibility for continuous improvement of the Company's operating activities, driving business transformation and productivity initiatives and engagement with key external stakeholders and business partners.

Appointment of Directors

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

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

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

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

Appointed Directors receive a formal letter of appointment which set out terms of their appointment, including remuneration entitlements and the Company's Corporate Governance Policies, including the Company's Share Trading Policy, which Directors are to abide by. Under the letter of appointment, Directors are also provided with a schedule of Board meetings, a Deed of Indemnity & Access and a summary of Director insurance arrangements.

The date at which each Director was appointed to the Board is announced to ASX and is provided in this Annual Report on pages 40 to 41.

Election and re-election of Directors

Directors appointed to fill casual vacancies hold office until the next Annual General Meeting and are then eligible for election by shareholders. In addition, each Director must stand for re-election at the third Annual General Meeting of the Company since they were last elected.

The Notice of Meeting for the Annual General Meeting discloses material information about Directors seeking election or re-election, including appropriate biographical details, qualifications and other key current directorships.

Company Secretary

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

- monitoring whether Company policies and procedures are followed;
- preparing Board and Committee minutes;
- advising the Board and Committees on governance matters; and
- co-ordinating 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 Executive Chairman on corporate governance matters. Each of the Directors has unrestricted access to the Company Secretary.

Board, Committee and Director performance evaluation

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

The aggregated questionnaire results also provide the basis of individual discussions between Directors and the Chairman. The Chairman and each Board member consider the performance of that Board member in relation to the expectations for that Board member and consider any opportunities for enhancing future performance. Matters which may be 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.

Additionally, during the financial year, a report on the program of work undertaken by the Board and each of its Committees, assessed against their respective Charter responsibilities and duties, is provided to the Board for discussion and for the purposes of reviewing performance of the Board and the Committees, as well as their Charters, to ensure that the Board and its Committees operate effectively and efficiently.

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

Assessment of management performance

The performance of the Managing Director & 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 Managing Director & Chief Executive Officer's performance-based remuneration.

The Remuneration Report sets out further details of the performance criteria against which the Managing Director & Chief Executive Officer's performance-based remuneration is assessed on pages 55 to 73.

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

Diversity Policy

The Company's Diversity Policy is posted on the Company's website. As an entity holding investments in companies operating across a range of industries, the Company recognises the benefits diversity brings, and supports the initiatives taken in this area across those businesses.

The Diversity Policy specifically references the commitment to:

- flexible work practices – developing on a case by case basis, flexible work practices that assist employees to balance work with family, caring or other responsibilities;
- career development and performance – ensuring that decisions regarding employment and remuneration are based on skills, experience, ability, performance and potential and are made in a transparent and fair manner; and
- equal employment opportunity – ensuring that training and workplace awareness is at a level to secure equal and opportunity in talent and succession planning processes.

The Company evaluates and reports on progress against these objectives and other diversity initiatives to the Remuneration & Nomination Committee at least annually.

Company progress on diversity objectives in 2017

Flexible work practices

During the year, flexible work initiatives have been increased in their reach and variety in the Company. A range of part-time, compressed weeks and working from home practices have been utilised, with a particular emphasis on working rosters that support family-friendly practice. Feedback and take-up has been positive, with a recognition that this is enabling employees to better manage their work and home lives.

The Company has also introduced Domestic Violence leave and improved paid maternity provisions in a number of its operating businesses.

Career development and performance

Initiatives have continued being delivered across the Company to further improve the transparency and fairness in performance and development processes.

Manager training and support for performance and development programs has been delivered with further enhancements to processes following prior year feedback from managers and employees.

A national WesTrac Talent Review was initiated this year, providing a platform for consideration of candidates for progression and succession. This process established a set of base-line talent and diversity metrics which will be used to evaluate progress in future years.

Executive KPIs have been further developed across the Company to ensure continued progress in this area.

Equal employment opportunity

Training on Diversity and Equality, including anti-bullying, harassment and discrimination has been extended in the year. Managers are being provided with additional support in addressing these issues with their teams.

Executive search processes which have been undertaken during the year have paid specific attention to securing a 'diverse slate' of talent for consideration. Whilst it is recognised that this can be challenging in the industrial sector, this is a positive and important step from the Company.

In WesTrac, work continued to ensure diversity in our apprentice population. Goals have been established for the employment of both female and indigenous apprentices, and partnerships established with organisations who assist both in achieving these goals and in enhancing the cultural awareness of the managers involved in the development of these employees.

Gender Diversity

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

Level	Number of Women	Proportion of Women
Board	1 of 9	11%
Senior executives*	10 of 71	14%
Whole of organisation	540 of 3,842	14%

* 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 2017.

The Board is mindful of and recognises the benefits of a Board comprising directors with a broad range of skills, experience and perspectives. The Board will continue to review its composition to ensure that it remains appropriate for the Company, including with regard to gender diversity, as it manages succession on the Board. Additionally, the Company has posted its Workplace Gender Equality Act Public Report for 2016–2017 on its website, which contains the Company's Gender Equality Indicators, in the 'Corporate Governance' section of its website.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Board composition

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

The Non-Independent Directors in office are:

- Mr Kerry Stokes AC — Executive Chairman
- Mr Ryan Stokes — Managing Director & Chief Executive Officer
- Mr Bruce McWilliam — Commercial Director
- Mr Warwick Smith AM — Director

The Independent Directors in office are:

- Ms Annabelle Chaplain — Director
- Mr Terry Davis — Director
- Mr David McEvoy — Director
- Mr Christopher Mackay — Director
- Mr Richard Uechtritz — Director

Professor Murray Wells resigned and retired from the Board effective at the close of the Company's Annual General Meeting held on 17 November 2016. The qualifications, experience, expertise and period in office of each Director of the Company at the date of this report are disclosed in the Board of Directors section of this Annual Report on pages 40 to 41.

Board independence

The Board acknowledges the ASX Recommendation that a majority of the Board should be Independent Directors. The Board currently comprises a majority of Independent Directors, with four Non-Independent Directors and five Independent Directors. From 1 July 2015 until Professor Wells' retirement from the Board on 17 November 2016, the Board comprised four Non-Independent Directors and six Independent Directors. In determining whether a Director is independent, the Board conducts regular assessments and has regard to whether a Director is considered to be one who:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is, or has previously been, employed in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor of, or a material consultant to, the Company or another Group member, or an employee materially associated with the service provider;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another group member other than as a Director.

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

Mr Kerry Stokes AC, Mr Ryan Stokes and Mr Bruce McWilliam are not considered to be independent due to their executive positions with the Company. In addition, Mr Warwick Smith AM is not considered to be independent as he is the chairman of the advisory board of Australian Capital Equity Group of companies which is controlled by Mr Kerry Stokes AC. In the Board's view, the Independent Directors referred to above are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors' ability to act with a view to the best interests of the Company. 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, and the independence of Directors who have held office for some time is considered on a case-by-case basis. The Company has diverse operations that have grown considerably over the course of time and, in the Board's view, the Company derives the benefits from having long-serving Directors with detailed knowledge of the history and experience of the Group's operations.

Independent & Related Party Committee

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.

Chairman

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

Board skills, experience and expertise

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

The Board has identified the following areas as strategic priorities for the Company to drive shareholder value:

1. Investing and operating in a diversified portfolio of market leading assets and businesses in the Company's core business areas of industrial services, media, and energy investments with a focus on maximising profit and return on capital.
2. Driving efficiencies and adding value to the Company's operations and investments in assets and businesses through ensuring the best teams are in place with strong governance and oversight of systems and processes.
3. Identifying and investing in growth opportunities which leverage off our Company's expertise in areas that could be outside our core current operating areas with a focus on taking advantage of opportunistic situations.
4. Prudent capital and balance sheet management to sustain future development of the Company and enhance shareholder returns.

The Board has achieved a membership which has regard to the strategic aims and priorities of the Company, including the following skills and experience which are well-represented on the Board:

Skills and experience	Percentage %
Executive leadership Significant business experience at a senior executive level	100%
Financial analysis, risk management and reporting Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls	89%
Industrial services Senior executive or Board level experience in the industrial services industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	67%
Media industry Senior executive or Board level experience in the media industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	33%
Energy, oil and gas Senior executive or Board level experience in the energy, oil and gas industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	44%
Technology Senior executive or Board level experience in the strategic use and governance of information management, information technology as well as the oversight of implementation of major technology projects	55%
Strategy and corporate activity Experience in identifying, developing and implementing a successful strategy and developing an asset or investment over the long-term	100%
Corporate governance and regulatory Commitment to the highest standards of corporate governance, including experience with an organisation that is subject to rigorous governance and regulatory standards	100%
Remuneration and people Board remuneration committee membership or management experience in relation to managing people and remuneration, including incentive arrangements and the legislative framework governing employees and remuneration	89%

The percentages of Directors assessed to possess each category of skill and/or experiences was determined as at the date this Corporate Governance Statement was approved.

Remuneration & Nomination Committee

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

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

Mr Richard Uechtritz was Chairman of the Remuneration & Nomination Committee throughout the financial year and until 3 August 2017 at which date Mr Terry Davis was appointed Chairman of the Committee.

The Remuneration & Nomination Charter is available on the Company's website. The Charter provides that the Committee must consist of a minimum of three members and must have a majority of Independent Directors, all of whom must be Non-Executive Directors.

Attendance at Committee meetings by management is at the invitation of the Committee. Directors who are non-Committee members may attend any meeting of the Committee.

The Committee may request that Directors who are non-Committee members are not present for all or any part of a meeting. It is the practice of the Committee for the Managing Director & Chief Executive Officer and Group Executive, Human Resources to attend Committee meetings to present to, or to assist, the Committee. The Chairman of the Committee reports to the Board on the Committee's considerations and recommendations.

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

Director induction and ongoing training

As part of the induction process, Board appointees attend a briefing with the Executive Chairman, meet with the Company Secretary about the Company's corporate governance (including its policies and procedures), visit key business sites and meet with senior executives.

In addition to the induction process for new Director appointments, from time to time, Directors attend external education seminars and peer group meetings regarding regulatory and compliance developments. The Company arranges presentations to the Board by Executives to update the Directors on the Group's business activities, as well as industry and regulatory developments.

Effective functioning of the Board

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

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Code of Conduct and other Company policies

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

The 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.

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 employees under the terms of their employment and carries out training of employees in relation to its policies and procedures.

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

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit & Risk Committee

As at the date of this statement, the Committee comprised the following members, all of whom are Independent Directors except for Mr Warwick Smith AM:

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

Until Professor Murray Wells' retirement from the Board on 17 November 2016 Professor Wells was the Chairman and a member of the Audit & Risk Committee. Ms Annabelle Chaplain was appointed Chairman of the Audit & Risk Committee effective from Professor Wells' retirement. Since that time the Committee has comprised three independent and one non-independent Non-executive Director: Ms Annabelle Chaplain (Chairman), Mr Chris Mackay, Mr David McEvoy and Mr Warwick Smith AM. In appointing Ms Chaplain as Chairman of the Audit & Risk Committee, the Board noted Ms Chaplain's financial expertise and her professional experience on Audit & Risk Committees of substantial Australian listed companies and her experience in investment banking, financial services, mining, engineering and major infrastructure services.

Mr Mackay, a former investment banker and corporate and banking lawyer, has financial expertise and considerable experience in business management, capital allocation, risk management and investment. Mr McEvoy brings significant Board experience and expertise in accounting matters and operations, including relating to the oil and gas industries as well as extensive risk management experience. Over the course of a highly distinguished career, Mr Smith has held a variety of senior roles in finance, banking and government and is considered to possess financial expertise.

The Audit & Risk Committee has adopted a formal Charter which is available on the Company's website. The Committee's key responsibilities in respect of its audit function are to assist the Board in fulfilling its responsibilities in relation to:

- the accounting and financial reporting practices of the Company and its subsidiaries;
- the consideration of matters relating to the 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 Auditor;
- reviewing the External Auditor's fees in relation to the quality and scope of the audit with a view to ensuring that an effective, comprehensive and complete audit can be conducted for the fee; and
- assessing whether non-audit services provided by the External Auditor are consistent with maintaining the External Auditor's independence.

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

Attendance at Committee meetings by management is at the invitation of the Committee. Directors who are non-Committee members may attend any meeting of the Committee. The Committee may request that Directors who are non-Committee members are not present for all or any part of a meeting. It is the practice of the Committee for the Managing Director & Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Head of Internal Audit & Process Improvement to attend Committee meetings to present to, or to assist, the Committee.

The Chairman of the Committee reports to the Board on the Committee's considerations and recommendations.

External Audit function

Each reporting period the External Auditor provides an independence declaration in relation to the audit of the Company. 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 evaluated by the Audit & Risk Committee. The Chair of the Committee leads the process, in consultation with the Chief Financial Officer. 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 Audit Report.

Following a comprehensive competitive tender process, Deloitte Touche Tohmatsu ("Deloitte") was selected as the auditor of the Company for the financial year ended 30 June 2017. The tender comprised a two stage process. The first stage involved an initial expression of interest in which firms were required to submit qualitative information of their proposed audit approach, focussing on knowledge of the Group, audit quality and innovation. In the second stage shortlisted firms submitted proposed audit fees and formally presented to a sub-committee of the Company's Audit & Risk Committee comprised of Professor Murray Wells, Ms Annabelle Chaplain and Mr Warwick Smith AM. The sub-committee unanimously recommended to the Board, and the Board resolved, that Deloitte be appointed as the Company's auditor, subject to shareholder approval which was obtained at the Company's Annual General Meeting held on 17 November 2016. The Board wishes to recognise and thank KPMG for its diligence and dedication as the Company's auditor since its formation through until the appointment of Deloitte.

Declarations by the Managing Director & Chief Executive Officer and Chief Financial Officer

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

The required declarations from the Chief Executive Officer and Chief Financial Officer have been given for the half-year ended 31 December 2016 and financial year ended 30 June 2017.

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

Communications with shareholders

As disclosed in the Shareholder Communications Policy, which is available 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 and that there is effective two-way communication with shareholders. 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 meeting 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.

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

The Company's website

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

- Overviews of the Company's operating businesses, divisions and structure;
- Biographical information for each Director;
- Copies of Board and Committee Charters;
- Corporate Governance Policies;
- Annual Reports and Financial Statements;
- Announcements to ASX;
- Security price information;
- Contact details for the Company's Share Registry;
- Details concerning the date of the Annual General Meeting, including the Notice of Meeting, when available; and
- Access to live webcasts of the Annual General Meeting.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk oversight and management

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. Details regarding the Committee are set out under "Principle 4 – Safeguard Integrity in Corporate Reporting".

The Board also believes a sound risk management framework should be aimed at identifying and delivering improved business processes and procedures across the Group which are consistent with the Group's commercial objectives. Under the Audit & Risk Committee's Charter, the Committee's key responsibilities in respect of its risk function are to:

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

The Board requires management to design and implement a risk management and internal control system to manage the Group's material business risks and report to it on the management of those risks.

During the reporting period, management reported to the Board as to the effectiveness of the Company's management of its material business risks, including the following:

- the Audit & Risk Committee reviewed the Group's risk reporting and risk management framework consistent with Australian Standard ISO 31000:2009;
- the Committee received risk briefings at its meetings from external auditors, management, Head of Internal Audit & Process Improvement concerning review of the Group's key business operations. The Group's business divisions provide regular reporting on workplace safety practices and management within the Group; and
- the Committee conducted the annual review of the Company's risk management framework and satisfied itself that the framework continues to be sound and effectively identifies potential risks; the Company conducted risk reviews and assessments in a series of workshops conducted by the Head of Internal Audit & Process Improvement jointly with senior management, which 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.

Internal Control Framework

The Head of Internal Audit & Process Improvement reports to the Chairman of the Audit & Risk Committee. 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 plan, its resourcing as well as monitors its independence and performance. Internal Audit reviews carried out in accordance with the Internal Audit plan are reported to the Committee which reviews and ensures ownership by management in regard to Internal Audit's findings and recommendations and management's responsiveness to any required action items.

Risk Management Policy

The Company has adopted a Risk Management Policy to:

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

A summary of the Company's Risk Management Policy is available on the Company's website.

Material risks

Under the risk framework described above, the Company has identified investment, financial and operational risks which it manages and mitigates. Each of the foregoing material business risks is monitored and managed by appropriate Senior Management within the Company who are delegated responsibility to manage or escalate issues to the Company's senior executive team. Where appropriate, external advisers are engaged to assist in managing the risk. More detail concerning these risks is set out in the Operating and Financial Review of this Annual Report on pages 32 to 34. The Company does not believe it has any material exposure to environmental or social sustainability risks. Commentary on the Company's environmental compliance and human capital related initiatives as well as its community engagement is provided on pages 35 to 38 of this Annual Report.

Workplace Safety

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

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.

Refer to pages 35 to 38 of this Annual Report for more information on the Group's workplace safety practices within WesTrac, the Group's predominant operating business.

Environment and Sustainability

Environmental risks are considered as part of the Company's risk assessment processes. Refer to pages 35 and 38 of this Annual Report for more information on the Group's environmental practices within WesTrac and SGH Energy.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

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

Remuneration & Nomination Committee

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

- to review and advise the Board on Directors' fees and the remuneration packages, including equity incentive grants, of the 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 the Board in human resource and remuneration-related matters; and
- to advise on succession planning and employee development policies.

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

Remuneration of Non-Executive Directors

The remuneration of the Non-Executive Directors 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 related payments, although they may receive additional payments at the discretion of the Board where appropriate in relation to special services that they perform for the Company. Throughout the financial year no such additional fees were paid to Non-Executive Directors. Fees for Non-Executive Directors are set out in the Remuneration Report on page 61 and pages 72 to 73.

No retirement benefits apply in respect of Company directorships other than superannuation contributions. One Non-Executive Director Retirement Deed remained current in respect of Seven Network Limited during the 2017 financial year. The benefits payable upon retirement under that Deed was frozen on 1 August 2003 and from that date, retirement benefits have not been offered to any newly appointed Non-Executive Directors. Retirement benefits payable under the only Non-Executive Director Retirement Deed were realised during the 2017 financial year.

During the year, fees received by Non-Executive Directors were reviewed by the Remuneration & Nomination Committee against market benchmarks and, on the Committee's recommendation, the Board determined that in view of the considerable time commitment and wide range of responsibilities that the Audit & Risk Committee Chair consistently fulfils, the Audit & Risk Committee Chair fee be increased from $60,000 to $80,000 commencing 1 July 2017. (Ms Chaplain did not participate in the Board's review of the Audit & Risk Committee Chair fee). The Board also determined to increase base Non-Executive Director fees by $10,000 commencing 1 July 2017. There have been no previous changes to the fees paid to Non-Executive Directors since their approval in 2010.

Remuneration of Executive Directors and senior executives

The objective of the remuneration process for Executive Directors and senior executives is to ensure that remuneration packages properly reflect the duties and responsibilities of employees and that remuneration is at an appropriate but competitive market rate which enables the Company to attract, retain and motivate people of the highest quality and best skills from the industries in which the Company operates. This policy provides for the 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 be structured to include bonuses, options or share-based payments and the Company has established Share and Option Plans for that purpose. The payment of bonuses is based on the achievement of specific goals which relate to the performance of the Company or as otherwise specified in the relevant employment contracts. Options, performance share rights and share appreciation rights are issued as a part of remuneration packages where they are considered appropriate, with exercise prices and hurdle rates which reflect the long-term objectives of the Company.

Remuneration matters concerning WesTrac Senior Executives who are Key Management Personnel of the Company are brought to the Remuneration & Nomination Committee for its consideration. Otherwise, WesTrac's remuneration arrangements and approvals are generally overseen by a WesTrac Executive Committee within a budget approved by the Board and reported to the Remuneration & Nomination Committee. Remuneration policy matters as well as regular reports concerning industrial relations and Enterprise Agreements relating to WesTrac are brought to the Remuneration & Nomination Committee or Board for review and/or approval as appropriate.

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

Hedging Policy

The Company's Group Directors Share Trading Policy, and the Executive and Staff Share Trading Policy, prohibit employees (including Key Management Personnel (KMP)) from dealing in the Company's shares, if the dealing is prohibited under the *Corporations Act*. Therefore, in accordance with this policy, all KMP are prohibited from entering into arrangements which operate to limit the executives' economic risk in relation to an element of their remuneration that has not yet vested or is subject to a holding lock. The ability to deal with unvested rights is restricted in the Employee Share Option Plan and LTI Plan rules, which apply to any options over shares in the Company which may be granted from time to time.

Further details relating to remuneration and the Company's remuneration policy, framework and structure are contained within the Remuneration Report on pages 55 to 73.

This statement has been approved by the Board and is current as at 22 August 2017.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group consisting of Seven Group Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017 and the auditor's report thereon.

BOARD

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

Kerry Matthew Stokes AC (Executive Chairman)

Ryan Kerry Stokes (Managing Director & Chief Executive Officer)

Sally Annabelle Chaplain

Terry James Davis

Christopher John Mackay

David Ian McEvoy

Bruce Ian McWilliam

The Hon Warwick Leslie Smith AM

Richard Anders Uechtritz

Professor Murray Charles Wells (retired 17 November 2016)

Particulars of their qualifications, experience, special responsibilities and any directorships of other listed companies held within the last three years are set out in this Annual Report under the headings "Board of Directors" and "Corporate Governance Statement" 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, equipment hire, media, broadcasting and energy assets. There were no significant changes in the nature of the Group's principal activities during the financial year.

BUSINESS STRATEGIES, PROSPECTS AND LIKELY DEVELOPMENTS

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

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 operations, financial position, business strategies and prospects for future financial years of the Group.

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 3 August 2016, the Company announced details of an on-market buy-back of up to 0.5 million of the Company's TELYS4 shares, representing approximately 10.0% of the Company's TELYS4 shares. The TELYS4 buy-back concluded on 16 August 2017, and no TELYS4 shares were bought back during the buy-back period.
- On 21 February 2017, the Company announced details of an on-market buy-back of up to 16.5 million of the Company's shares, representing approximately 5.9% of the Company's ordinary shares. The buy-back commenced on 12 March 2017; at the date of this report, no ordinary shares have been bought back.
- On 11 March 2017, the on-market buy-back, (announced by the Company on 23 February 2016 of up to 16.6 million (5.9%) of the Company's shares) concluded. 0.3 million ordinary shares were bought back at a cost of $1.7 million.

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 1 July 2017, wholly-owned subsidiaries entered into sale agreements to dispose of entities comprising the Group's WesTrac China operating segment. The sale is subject to a number of conditions precedent including regulatory approval from the Ministry of Commerce of the People's Republic of China. On satisfying the conditions precedent including obtaining regulatory approval, the sale will be completed resulting in the Group's WesTrac China operations being sold.

Subsequent to year end, there has been movement in the share prices of listed investments and as a result the value of the Group's investments have varied from what is presented in the financial report. Refer to Note 28: Events subsequent to balance date for further detail.

Except for the above, there are no other matters or circumstances which have arisen since 30 June 2017 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 2017, and the number of those meetings attended by each Director, were:

Director	Board~		Audit & Risk		Remuneration & Nomination		Independent & Related Party	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
KM Stokes AC	9	9	–	–	1	1	–	–
RK Stokes	10 (1)	10 (1)	7	7	4	4	–	–
SA Chaplain	10 (1)	10 (1)	7	7	4	3	5	5
TJ Davis	9	8	–	–	4	4	5	5
CJ Mackay	9	9	7	7	–	–	5	5
DI McEvoy	9	9	7	7	–	–	5	5
BI McWilliam	10 (1)	10 (1)	3	3	–	–	3	3
WL Smith AM	10 (1)	10 (1)	7	7	4	4	–	–
RA Uechtritz	9	9	–	–	4	4	5	5
MC Wells^	4	4	3	3	–	–	3	3

(a) The number of meetings held while the Director concerned held office during the year.

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

^ Retired as a Director on 17 November 2016.

~ Bracketed numbers in the columns refer to the number of meetings of a Sub-Committee of the Board held and attended.

DIVIDENDS – ORDINARY SHARES

Since the start of the financial year, a final fully franked dividend for the 2016 financial period of 20.0 cents per share, amounting to $56.2 million, was paid on 7 October 2016.

Since the start of the financial year, an interim fully franked dividend for the 2017 financial year of 20.0 cents per share, amounting to $56.2 million, was paid on 13 April 2017.

A final fully franked dividend for the 2017 financial year of 21.0 cents per share of $59.1 million will be paid on 6 October 2017, 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 $2.4093 per TELYS4 based on 4,963,640 TELYS4 on issue, amounting to $12.0 million was paid on 30 November 2016.

A further fully franked dividend of $2.3595 per TELYS4 based on 4,963,640 TELYS4 on issue, amounting to $11.7 million was paid on 31 May 2017.

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.

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

There are no other particular and significant environmental regulations applying to the Group.

DIRECTORS' INTERESTS IN SECURITIES

The relevant interest of each Director in ordinary shares, TELYS4, or options or performance rights issued by the companies within the Group at the date of this report is as follows:

DIRECTORS' HOLDINGS OF SEVEN GROUP HOLDINGS LIMITED SECURITIES

	Ordinary Shares	Options over Ordinary Shares	TELYS4	Performance Rights
KM Stokes AC	207,304,349	Nil	Nil	Nil
RK Stokes	319,410	Nil	2,500	57,251
SA Chaplain	17,000	Nil	Nil	Nil
TJ Davis	80,000	Nil	15,510	Nil
CJ Mackay	10,000	Nil	Nil	Nil
DI McEvoy	30,000	Nil	Nil	Nil
BI McWilliam	171,970	Nil	Nil	Nil
WL Smith AM	40,800	Nil	Nil	Nil
RA Uechtritz	776,992	Nil	Nil	Nil

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

At the date of this report, there are 57,251 performance rights to an equivalent number of fully paid ordinary shares in the Company issued to Mr Ryan Stokes under the Company's FY14 Long-term Incentive Plan (LTI Plan). In addition to the performance rights issued to Mr Ryan Stokes, there are 828,880 performance rights issued to other senior executives. 120,195 of these rights were granted under the FY14 LTI Plan on 1 December 2014 and will expire on 1 September 2017. 267,639 of these rights were granted under the FY16 LTI Plan on 3 August 2016 and will expire on 1 September 2019. 441,046 of these rights were granted under the FY17 LTI Plan on 1 July 2016 and will expire on 1 September 2020. These rights do not carry an entitlement to participate in any share issue. Rights were granted for nil consideration.

On 1 July 2017, 33,881 deferred share rights were granted to Mr Ryan Stokes and a further 68,119 to other senior executives. They will vest on 1 July 2018, subject to the executive remaining employed by the Group.

There are no options on issue.

Other than 181,873 deferred share rights which vested on 1 July 2017 under the FY16 STI plan, no other options or rights have vested or been exercised during or since the end of the financial year, nor have they expired.

REMUNERATION REPORT

Year ended 30 June 2017

MESSAGE FROM THE REMUNERATION & NOMINATION COMMITTEE

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Report for Seven Group Holdings for the 2017 financial year (FY17), which sets out remuneration information for Key Management Personnel and Non-Executive Directors.

CHANGES TO REMUNERATION & NOMINATION COMMITTEE

The Remuneration & Nomination Committee is comprised of the following members, all of whom are Independent Directors except for Mr Warwick Smith AM:

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

Mr Richard Uechtritz was Chairman of the Remuneration & Nomination Committee throughout FY17 and until 3 August 2017 at which date Mr Terry Davis was appointed Chairman of the Committee.

CHANGES TO KEY MANAGEMENT PERSONNEL

Mr Murray Vitlich commenced with the Company as Chief Operating Officer on 1 June 2017.

Professor Murray Wells, Non-Executive Director, retired from the Company on 17 November 2016.

Mrs Melanie Allibon, Group Executive Human Resources, resigned from the Company on 16 December 2016.

Details of Key Management Personnel of the Group are set out in section 1 of the Remuneration Report.

CHANGES TO REMUNERATION FRAMEWORK

At the Company's AGM on 17 November 2016 shareholders approved an amendment to the Company's Long-Term Incentive (LTI) plan.

FY17 Long-Term Incentive (LTI) Plan amendment

Under the previous design, grants were only made under the LTI Plan if the NPAT target for the relevant year was met (Gateway Hurdle). Once granted, awards only vested if the performance hurdles over the three-year performance period were met (being four years in total including the NPAT performance period).

In FY12, FY13 and FY15, the NPAT target was not achieved and therefore, no grants were made under the LTI Plan in respect of those years. Grants were made under the LTI plan in respect of FY14 and FY16 based on achievement of the NPAT target in those years.

The LTI Plan Gateway Hurdle was approved by shareholders to be removed for grants made under the LTI Plan, applying from FY17, to allow for annual awards to be made to senior executives. These awards will be subject to the achievement of performance conditions over a four-year period so that the executives only realise value from the award where those performance conditions have been achieved.

The amendment was requested on the basis that the Board felt that the previous LTI Plan Gateway Hurdle undermined the ability of the LTI Plan to motivate and incentivise senior executives. It is in line with market practice for awards to be granted annually, and this will ensure alignment of executive remuneration outcomes to shareholder interests.

The Remuneration & Nomination Committee has retained its discretion to amend awards in instances where LTI Plan vesting outcomes are considered to be inconsistent with the shareholder experience for the respective performance period.

Remuneration changes for FY18

In FY17, the Remuneration & Nomination Committee undertook a review of the Group's variable remuneration structures for executives. The purpose of the review was to determine whether the existing incentive arrangements were appropriately aligned with the Group's business objectives and fit-for-purpose to support the creation of long-term value for shareholders of the Company.

This comprehensive review has resulted in a proposal to simplify the existing Short-Term Incentive (STI) and LTI plans through the introduction of a new, single incentive plan (the Executive Incentive (EI) plan). The key objectives of the new EI Plan are to:

- Reduce complexity by introducing one variable incentive structure for all senior executives.
- Strategically align the remuneration arrangements for the Group and operating companies.
- Drive an 'ownership' culture amongst key executives at both a Group and operating company level.
- Reward the creation of shareholder value over the long term.
- Attract and retain key executives.

Key features of the new Executive Incentive Plan

The variable remuneration structures for executives currently consist of STI and LTI plans. To encourage simplicity, the new EI plan seeks to combine the current STI and LTI plans and provide a greater focus on executives holding equity in the Group over the long-term.

The table below outlines the key changes:

Incentive feature	Current STI and LTI plans	New Executive Incentive plan (EI)
Cash vs equity mix	• STI – cash – 25 per cent • Deferred STI – equity, subject to continued service – 25 per cent • LTI – equity, subject to continued service and two performance hurdles – 50 per cent	• EI (STI) – cash – 25 per cent • EI (MT) – equity, subject to continued service – 35 per cent • EI (LT) – equity, subject to continued service and single performance hurdle – 40 per cent
Equity vehicle	• Deferred STI – share rights • LTI – performance rights	• Deferred equity (service component) – restricted shares • Deferred equity (performance component) – performance rights
Performance / vesting period	• STI – 1 year performance period • Deferred STI – 1 year vesting period • LTI – 4 year performance period	• EI (ST) and (MT) – 1 year performance period to determine incentive outcome • Restricted shares – additional 2 year vesting period • Performance rights – additional 3 year performance period
Performance measures	• STI – balanced scorecard • LTI – Earnings Per Share (EPS) and relative Total Shareholder Return (TSR)	• EI – (ST) and (MT) 1 year performance – balanced scorecard • EI – (LT) Performance rights – relative TSR
Post-vesting restrictions on shares	• Deferred STI – no post–vesting restriction • LTI – no post-vesting restriction	• Restricted shares – 1 year post-vesting restriction • Performance rights – 1 year post-vesting restriction

Further details regarding the new plan, and the proposed award quantum for the Managing Director & Chief Executive Officer in respect of FY18, will be provided in the Notice of Meeting to be sent to shareholders for the November 2017 Annual General Meeting.

Yours faithfully,

Richard Uechtritz

Former Chairman of the
Remuneration & Nomination Committee

Terry Davis

Chairman of the
Remuneration & Nomination Committee

REMUNERATION REPORT – AUDITED

This Remuneration Report for the year ended 30 June 2017 (FY17) outlines the remuneration arrangements of the Company and the Group in accordance with the *Corporations Act 2001* (the Corporations Act) and its regulations. This information has been audited as required by section 308(3C) of the *Corporations Act*.

The Remuneration Report is presented under the following main headings:

1. **Introduction**
2. **Remuneration governance**
3. **Executive remuneration principles and strategy**
4. **Link between remuneration and Group performance**
5. **Executive Chairman and Non-Executive Director remuneration framework**
6. **KMP Executive remuneration framework**
7. **KMP equity holdings**
8. **KMP related party transactions**
9. **Summary of executive contracts**
10. **Remuneration in detail**

1. INTRODUCTION

The Remuneration Report outlines key aspects of remuneration policy, framework and remuneration awarded to Key Management Personnel (KMP) during FY17. KMP 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 FY17 are listed in the table below.

Executive Directors	
Kerry Matthew Stokes AC	Executive Chairman
Ryan Kerry Stokes	Managing Director & Chief Executive Officer
Bruce Ian McWilliam[(a)]	Commercial Director
Non-Executive Directors	
Sally Annabelle Chaplain	Director
Terry James Davis	Director
Christopher John Mackay	Director
David Ian McEvoy	Director
Warwick Leslie Smith AM	Director
Richard Anders Uechtritz	Director
Professor Murray Charles Wells	Director (retired 17 November 2016)
Group Executives	
Melanie Jayne Allibon[(a)]	Group Executive, Human Resources (resigned 16 December 2016)
Jarvas Ernest Croome	Chief Executive Officer, WesTrac Australia
Lawrence Luo[(b)]	Chief Executive Officer, WesTrac China
Richard Joseph Richards	Group Chief Financial Officer
Murray John Vitlich	Group Chief Operating Officer (commenced 1 June 2017)

(a) Mrs Melanie Allibon was employed and Mr Bruce McWilliam is employed by Seven West Media Limited with their services provided to Seven Group Holdings Limited under a company to company agreement. Remuneration disclosed in this report relates to amounts paid by Seven Group Holdings Limited to Seven West Media Limited in respect of their services. Remuneration for Mr Bruce McWilliam also includes payments to a company associated with Mr Bruce McWilliam that was party to a consulting agreement with the Group.

(b) On 1 July 2017, the Company entered into a potential sale transaction of WesTrac China. Should the sale transaction proceed, Mr Lawrence Luo will cease as a KMP Executive from the effective date of the sale.

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.

During the financial year the Committee comprised the following members:

Mr Richard Uechtritz (Chairman of the Committee)

Ms Annabelle Chaplain

Mr Terry Davis

Mr Warwick Smith AM

Engagement of remuneration advisers

During FY17 Ernst and Young (EY) was engaged by the Company to provide information on market remuneration practices. In the course of providing this information, the Board is satisfied that EY did not make any remuneration recommendations relating to KMP as defined by the Corporations Act.

3. EXECUTIVE REMUNERATION PRINCIPLES AND STRATEGY

Remuneration principles

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

The Board's objective is to ensure remuneration packages appropriately reflect employees' duties, responsibilities and levels of performance, as well as ensuring that remuneration attracts and motivates people of the highest calibre.

The key principles of the Group's executive reward structure are to:

- Ensure the Group's remuneration structures are equitable and rewards are aligned to the creation of shareholder value, implementation of business strategy and delivering results;
- Ensure that remuneration packages properly reflect the duties and responsibilities of the employees and that the remuneration is at an appropriate, competitive market rate which enables the Group to attract, retain and motivate people of the highest calibre;
- Provide a balance between fixed remuneration and at-risk elements and short- and long-term outcomes that encourages appropriate behaviour to provide reward for short-term delivery and long-term sustainability; and
- Implement targeted goals that encourage high performance and establish a clear link between executive remuneration and performance, both at Company and individual business unit levels.

Remuneration strategy

The following diagram illustrates how the Group's remuneration principles 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. Further details on the executive remuneration framework are in section 6 of the Remuneration Report.

Business objective

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

Remuneration strategy and objectives

Attract, retain and motivate people of the highest calibre, creating stable leadership and continuity for the Group's transformation initiatives	*Align remuneration structures with the creation of shareholder value, implementation of business strategy and delivering results*
Attract, motivate and retain high calibre employees with demonstrated industry experience and the ability and commitment to deliver required financial and non-financial outcomes. Provide market competitive remuneration, through a mix of fixed and variable short-term, medium-term and long-term incentives.	Short-term and long-term incentive outcomes are dependent on the achievement of financial and non-financial business objectives, and shareholder return measures including relative Total Shareholder Return (TSR) and diluted Earnings Per Share (EPS).

Fixed remuneration (FR)	Short-term incentives	Medium-term incentives	Long-term incentives
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 cash components of the STI plan delivers an annual incentive where executives have achieved stretch performance measures. The incentive is delivered via cash. Performance is typically measured using a mix of corporate goals such as Group underlying EBIT, operating cash flow and other goals including: • Divisional EBIT performance; • Leadership and staff development; • Strategic direction; and • Investment performance.	The deferred component of the STI plan delivers an annual incentive where executives have achieved stretch performance measures. The incentive is delivered via deferred share rights. The share rights vest 12 months after grant, provided the KMP Executive remains employed within the Group at the time of vesting. Performance is typically measured using a mix of corporate goals such as Group underlying EBIT, operating cash flow and other goals including: • Divisional EBIT performance; • Leadership and staff development; • Strategic direction; and • Investment performance.	The LTI plan provides for grants of performance rights to eligible senior executives. The plan provides that any grants made are subject to performance hurdles of diluted EPS growth and relative TSR over a four-year period.

Minimum shareholding guidelines for KMP Executives

With effect from 1 July 2012, the Board implemented minimum shareholding obligations for KMP Executives to hold Seven Group Holdings Limited shares and further align their interests with those of shareholders subject to Board discretion for exceptional circumstances. The obligations impose a minimum level of shareholding based on the KMP Executive's length of service with the Group, as set out in the table below.

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

All KMP Executives are presently complying with the minimum shareholding guidelines. Shareholdings for each KMP are detailed in section 7 of the Remuneration Report.

4. LINK BETWEEN REMUNERATION AND GROUP PERFORMANCE

The remuneration framework of the Group is designed to offer appropriate rewards for those giving superior performance. It is designed to closely align the interests of executives 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.

Group performance is linked to the LTI plan through the diluted EPS and relative TSR targets.

Awards under the STI plan are determined based on performance against financial and non-financial measures. Group performance is linked to the STI plan through the Group underlying EBIT financial gateway and, where the financial gateway is exceeded, through other financial measures set relevant to the responsibility of each KMP Executive.

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

	2017	2016	2015	2014	2013
Statutory NPAT ($m)	$46.2	$197.8	$(359.1)	$262.5	$488.6
NPAT (excluding significant items) ($m)[(a)]	$215.4	$184.2	$204.3	$253.2	$398.9
Significant items ($m)	$(169.2)	$13.6	$(563.4)	$9.3	$89.8
Profit before significant items, net finance costs and tax (Group underlying EBIT) ($m)	$333.3	$302.8	$314.5	$374.4	$622.8
Dividends declared per ordinary share (cents)	41.0	40.0	40.0	40.0	40.0
Share price at financial year end	$10.94	$6.01	$6.54	$7.41	$6.90
Statutory basic EPS[(b)]	$0.07	$0.60	$(1.29)	$0.77	$1.49
EPS (excluding significant items)[(b)]	$0.67	$0.56	$0.59	$0.74	$1.20
Diluted EPS (excluding significant items)[(b)]	$0.67	$0.56	$0.59	$0.74	$1.20
Total Shareholder Return	93.8%	2.4%	(4.2)%	12.9%	(6.5)%
Relative Total Shareholder Return	78.2%	(10.1)%	(20.0)%	(4.8)%	(30.0)%

(a) NPAT (excluding significant items) is a non-IFRS measure. This measure is applied consistently year on year and used internally by management to assess the performance of the business and 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) 2017 figure is for continuing and discontinued operations.

5. 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 Non-Executive 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 million per annum.

The Company intends to request shareholder approval at the AGM to increase the maximum fee pool to $2.2 million per annum from FY18. This will allow flexibility for market increases in the future and support the capacity for the Company to appoint other suitably qualified Non-Executive Directors as required. The proposed increase would provide the appropriate remuneration capacity to satisfy the appointment of additional Directors to the Board to ensure that the Board remains comprised of high calibre Directors with a mix of skills, strategic competencies, qualifications and experience to oversee the Company's diverse range of operations and investments.

Executive Chairman and Non-Executive Director fees

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

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

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

The table below sets out the base and Committee fees inclusive of superannuation which applied during FY17. There was no increase in fees during FY17, which have remained unchanged since August 2010.

Executive Chairman fees	
Fee	$350,000
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

During FY17, Non-Executive Directors fees were reviewed by the Remuneration & Nomination Committee. On the Committee's recommendation, the Board determined that the base fee for Non-Executive Directors will increase to $160,000 per annum from 1 July 2017. The Board also determined that in view of the considerable time commitment and wide range of responsibilities that the Audit & Risk Committee Chair consistently fulfils, the Audit & Risk Committee Chair fee be increased from $60,000 to $80,000 from 1 July 2017.

6. 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).

The Group aims to reward KMP Executives with a level and mix (comprising fixed remuneration, short-, medium- and long-term incentives) of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with market practice.

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

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

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 KMP Executives for meeting or exceeding annual financial and individual objectives that are linked to the Group's strategy and business plans.

Further details on the STI and LTI plans are set out below.

Remuneration mix

The following table outlines the FY17 target remuneration mix for the KMP Executives (excluding the Executive Chairman who does not receive any variable remuneration). For the majority of senior executives, half of the total remuneration package is comprised of performance-based 'at risk' incentive programs.

KMP Executive	Position	FR	Cash STI	Deferred STI	LTI
RK Stokes	Managing Director & Chief Executive Officer	50%	12.5%	12.5%	25%
MJ Allibon[(a)]	Group Executive, Human Resources	100%	–	–	–
JE Croome	Chief Executive Officer, WesTrac Australia	50%	12.5%	12.5%	25%
L Luo	Chief Executive Officer, WesTrac China	67%	16.5%	16.5%	–
BI McWilliam	Commercial Director	50%	12.5%	12.5%	25%
RJ Richards	Group Chief Financial Officer	50%	12.5%	12.5%	25%
MJ Vitlich[(b)]	Group Chief Operating Officer	100%	–	–	–

(a) Mrs Melanie Allibon resigned on 16 December 2016 and as a result did not participate in variable remuneration programs in FY17.
(b) Mr Murray Vitlich's participation in the STI and LTI plans commences from 1 July 2017.

A. SHORT-TERM INCENTIVE PLAN

Certain KMP Executives participated in the Company's STI plan in FY17 which provided executives with the opportunity to receive an annual incentive subject to the achievement of annual corporate and other performance objectives.

Financial gateway

A financial gateway is in place for the STI Plan to align the interests of shareholders and executives by limiting STI awards to KMP Executives where minimum financial performance of the Group is not achieved.

The financial gateway applied is Group underlying EBIT compared to target in accordance with the following table. Group underlying EBIT means the Group's audited statutory profit before significant items, net finance costs and income tax.

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

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 its consideration, and if thought fit, 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 consideration and, if thought fit, approval.

STI awards are not provided in circumstances where individual performance is unsatisfactory.

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

STI opportunity

The target opportunity under the STI plan for each KMP Executive participating in the STI plan is 50 per cent of fixed remuneration.

STI goals

The 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.

STI delivery

Half of STI awards are made as lump sum cash payments and half of the award is deferred for 12 months. For Australian resident KMP Executives employed directly by the Group, the deferred component of the STI award will be made in deferred share rights. The share rights vest 12 months after the grant of share rights provided the KMP Executive remains employed by the Group at the time of vesting.

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

Short-Term Incentive plan – Deferred STI Share Rights	
Who will participate?	Australian resident KMP Executives employed directly by the Group will have half of their STI award deferred into share rights in the Company.
What will be granted?	Subject to the achievement of KPIs for the relevant financial year, 50 per cent of certain STI awards will be made as share rights which will be granted for nil consideration. Each right entitles the participant to one ordinary share in the Company, which vest in 12 months.
How many shares rights will be granted?	The number of share rights granted to each participating KMP Executive is equivalent to 50 per cent of their STI award divided by the closing 30 June share price prior to the commencement of the performance period, adjusted for the value of expected dividends foregone.
What will be the vesting performance measures?	The share rights granted under the STI plan do not have any further performance hurdles and vest subject to continuous employment.
Do the performance rights carry dividend or voting rights?	The share rights do not carry dividend or voting rights.
What happens in the event of a change in control?	In the event of a change of control of the Company, any unvested share rights will vest.
What happens if the participant ceases employment?	If the participant ceases employment with the Company due to termination for cause or gross misconduct, or other reasons determined by the Board (which would normally include resignation) all unvested share rights will lapse. If the participant ceases employment other than for the reasons outlined above the share rights will not lapse, unless the Board determines otherwise.

Mr Bruce McWilliam is not directly employed by the Group and as such has different terms of participation for the deferred component of the STI plan. His deferred STI award component is paid in cash. The after tax amount is required to be used to purchase shares in the Company that are subject to a 12 month trading restriction. If employment ceases prior to the trading restriction being removed, the shares are required to be sold with proceeds returned to the Company.

Mr Lawrence Luo is not an Australian resident and has different terms of participation for the deferred component of the STI plan. Mr Luo's deferred STI award component will be made in cash 12 months after the STI award is made, provided Mr Luo remains employed by the Group at this time.

In addition to the STI plan, a one-off special incentive relating to the potential sale of WesTrac China may be payable to Mr Lawrence Luo in FY18 subject to the achievement of objectives. The special incentive reflects Mr Lawrence Luo's importance to completion of a sale transaction.

FY17 STI outcomes

Executive variable remuneration outcomes in FY17 were dependent on executive performance outcomes against financial and non-financial key performance indicators.

Under the design of the STI plan, STI awards may be available where the Group's underlying EBIT gateway target is exceeded as set out in section 6.A of the Remuneration Report.

Executive variable remuneration outcomes in FY17 were firstly dependent on the Group's achievement of its financial gateway (underlying EBIT).

The Group's underlying EBIT target for FY17 was $283.0 million. The Group underlying EBIT was a 10 per cent improvement on FY16 and at the upper end of the Group's earnings guidance for FY17. 117.8 per cent of the target for FY17 was achieved ($333.3 million) and as a result, 100 per cent of the on-target amount may be paid as STI awards to executives.

Following achievement of the financial gateway target, remuneration outcomes were dependent on individual executive performance outcomes against financial and non-financial key performance indicators (KPIs).

The MD & CEO's performance was assessed by the Chairman and the Committee based on his individual performance against KPIs. Information on KPIs for the MD & CEO is set out below.

The performance against KPIs of KMP Executives other than the MD & CEO was assessed by the MD & CEO and the Committee on an individual basis consistent with key operational and strategic objectives of the Company, as determined by the Board.

In FY17 the KPIs for KMP Executives were focussed on the achievement of key goals associated with EBIT, cash flow, revenue, sales and investment performance. As a result of achievement of the underlying EBIT target and achievement against individual KPIs, STI plan awards at between 55 and 90 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 detail of the level of performance achieved against KPIs and resulting STI (expressed as a percentage of fixed remuneration) awarded for FY17.

KMP Executive	Position	KPI	Cash incentive awarded for 2017 (as a percentage of FR)	Deferred equity incentive awarded for 2017 (as a percentage of FR)	Deferred cash incentive awarded for 2017 (as a percentage of FR)	Percentage of STI awarded	Percentage of STI not awarded
RK Stokes	Managing Director & Chief Executive Officer	– Group Underlying EBIT and cash flow targets – Subsidiary Company Performance – Investment Portfolio Performance against ASX 200 benchmark – Group Strategic Direction, Stakeholders and Growth – Operating Risk, Safety Improvement & Security Management	43.75	43.75	–	87.5	12.5
JE Croome	Chief Executive Officer, WesTrac Australia	– Group Underlying EBIT – WesTrac WA Underlying EBIT and cash flow targets – WesTrac Australia Budget, Revenue and Sales Targets – WesTrac Working Capital Targets – WesTrac Costs and Organisational Development Targets – People – Safety Improvement	42.5	42.5	–	85	15
L Luo	Chief Executive Officer, WesTrac China	– Group Underlying EBIT – WesTrac China Underlying EBIT and cash flow targets – WesTract China Budget, Revenue, Sales and Working Capital Targets – Organisational Development – Risk/Safety Improvement & Leadership	40	–	40	80	20
BI McWilliam	Commercial Director	– Group Underlying EBIT and cash flow targets – Seven West Media Group Underlying EBIT – Investment Portfolio Performance against ASX 200 benchmark – Legal Strategy – Transactions & Investments	27.5	27.5	–	55	45
RJ Richards	Group Chief Financial Officer	– Group Underlying EBIT – Group Operating Cash Budget – Investment Portfolio Performance against ASX 200 benchmark – Subsidiary companies' EBIT contribution, working capital and margins – Banking and Investor Relations	45	45	–	90	10

Each individual KPI is allocated a specific weighting such that the sum of the collective measures' weightings equals the relevant percentage of the participant's STI opportunity. For the MD & CEO, 80 per cent of his STI KPIs relate to quantitative measures. For the other KMP Executives, between 60 and 80 per cent of their STI KPIs relate to quantitative measures. Mr Murray Vitlich's participation in the STI and LTI plans commences from 1 July 2017.

B. LONG-TERM INCENTIVE PLAN

Selected KMP Executives participate in the LTI plan. 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.

LTI opportunity

The target opportunity under the LTI plan for each KMP Executive participating in the LTI plan is 50 per cent of fixed remuneration. Eligible KMP executives who are employed as at 31 December each year receive a grant of performance rights. Therefore, for FY17, eligible KMP executives employed on 31 December 2016 will receive a grant of performance rights under the FY17 LTI plan.

Once granted, awards only vest if the performance hurdles over a four-year performance period are met. For the FY17 award, the four-year performance period commenced on 1 July 2016 and will conclude on 30 June 2020. 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 four-year performance period. For Mr Bruce McWilliam who is not employed directly by the Company, should the LTI award rights vest, they will be cash settled. For Mr Ryan Stokes who has an interest in shares in the Company which represents more than 10% of the Company's issued share capital, should the LTI award rights vest, they will be cash settled.

Prior LTI grants

Under the terms and conditions that applied to the LTI plan in FY16, grants under the LTI plan were only made where the statutory NPAT target was met. The FY16 statutory NPAT target of $176.5 million set by the Board was achieved ($197.8 million) and as a result the Board determined to grant LTI awards in FY17 in respect of FY16 performance to eligible KMP Executives.

Rights were granted under the LTI plan during FY15 in respect of FY14 performance and may vest in August 2017 subject to the vesting conditions of the LTI plan.

The Board exercised its discretion to adjust the FY14 LTI diluted EPS target to exclude the Seven West Media and WesTrac China impairments. The Company anticipates this will result in 100 per cent vesting of the FY14 LTI EPS performance rights in FY18. Subject to confirmation by an independent adviser, the Company anticipates the relative TSR outcome will be above the 75 percentile, resulting in 100 per cent vesting of the FY14 LTI TSR performance rights in FY18.

In considering whether to exercise discretion, the Board took into account the difference between the TSR and diluted EPS performance of the Group over the three year performance period. The unadjusted diluted EPS performance reflects the fact that IFRS requires goodwill to be impaired when expected future cash flows do not support the carrying values but does not permit the impairments to be reversed in a future period should expected future cash flows recover. By contrast, the market value of the Group increased by $1.2 billion over the three-year performance period.

Therefore the Company's current share price reflects the fact that the market has increased the future maintainable earnings for the Group, however, WesTrac China and Seven West Media are required to be held at historical costs after impairments. Should the Company have contemporary cost accounted all its business over the corresponding three year period, the statutory stretch diluted EPS hurdle would have been achieved.

On this basis, the Board exercised its discretion to adjust the diluted EPS target for the Seven West Media and WesTrac China impairments which results in 100 per cent vesting of the FY14 LTI diluted EPS performance rights.

Further details on the LTI plan are set out below.

Long-Term Incentive plan	
What will be granted?	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. For Mr Bruce McWilliam and Mr Ryan Stokes, each right entitles the participant to a cash amount equivalent 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 per cent 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 closing price as at the commencement of the performance period 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, diluted Earnings Per Share (EPS) and relative Total Shareholder Return (TSR).

Long-Term Incentive plan	
Why was the EPS performance hurdle chosen, and how is performance measured?	Half (50 per cent) of the award will be subject to an 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 diluted EPS from the audited annual accounts 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 will be set each year for each proposed LTI grant, with the proportion of vesting ranging from 0 per cent (where the threshold EPS growth target is not achieved) to 100 per cent (where the stretch EPS growth target is achieved). The percentage of EPS performance rights that vest (if any) at the end of the performance period is based on the following schedule:

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

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

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 per cent for each financial year of the performance period.

For FY16, threshold EPS was $0.53 and stretch EPS was $0.58. Actual EPS for FY16 was $0.60.

For FY17, threshold EPS was $0.50 and stretch EPS was $0.54. Actual EPS for FY17 was $0.11.

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

Company's TSR ranking relative to comparator group companies	Proportion of TSR performance rights that vest (%)
Equal to or above the 75th percentile	100%
Between the 50th and 75th percentiles	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 four-year performance period. The performance period was increased from three to four years from the FY17 award, coinciding with the plan amendment to remove the NPAT hurdle on grant. The four-year performance period commences at the beginning of the financial year to which the award relates. In the case of the FY17 award, the performance period commenced on 1 July 2016. Immediately following the completion of the performance period, the performance hurdles are tested to determine whether, and to what extent, awards vest. Upon vesting of the rights, the Board has discretion to either issue new shares or acquire shares on market. Any performance rights that do not vest following testing of performance hurdles will lapse. There is no retest.

Long-Term Incentive plan	
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.

C. MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER REMUNERATION

Mr Ryan Stokes was appointed Managing Director & Chief Executive Officer on 1 July 2015. Mr Ryan Stokes is employed under an open-ended employment contract under which the MD & CEO may give six months' notice to terminate employment. The Company is also required to provide six months' 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 $1,600,000 per annum inclusive of superannuation and has remained unchanged since his appointment.

Fixed remuneration for the MD & CEO has been set in line with the Group's policy of positioning total reward for KMP Executives principally within a competitive range of its peers which includes Australian listed companies with characteristics most like Seven Group Holdings Limited when compared against a set of financial and qualitative metrics.

Variable remuneration

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

The MD & CEO's at-target opportunity under the STI plan is 50 per cent of fixed remuneration. The MD & CEO's at-target opportunity under the LTI plan is 50 per cent of fixed remuneration.

7. KMP EQUITY HOLDINGS

A. EQUITY GRANTED AS REMUNERATION

Deferred share rights granted as remuneration

The Group offered certain KMP Executives the opportunity to participate in the Group's deferred STI plan in respect of FY16 performance and awarded KMP Executives deferred share rights as a medium-term incentive. The share rights may vest 12 months after grant provided the KMP Executive remains employed within the Group at the time of vesting.

Details of the vesting profile of the deferred share rights held by KMP Executives during FY17 under the deferred STI plan are detailed below.

KMP	Grant date	Vesting date	Fair value per share at grant date	Held at 1 July 2016	Granted	Forfeited	Vested	Held at 30 June 2017
RK Stokes	1 Jul 16	1 Jul 17	$5.46	–	58,630	–	–	58,630
JE Croome	1 Jul 16	1 Jul 17	$5.46	–	35,269	–	–	35,269
RJ Richards	1 Jul 16	1 Jul 17	$5.46	–	38,934	–	–	38,934

On 1 July 2017, the deferred shares under the 2016 STI award vested. A grant under the 2017 STI award was made on 1 July 2017 at a fair value of $10.33 per share, resulting in 78,291 shares being granted to KMP Executives.

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, FY14, FY15 and FY16 performance. Until FY16, awards under the LTI plan were only made where the NPAT target for the relevant year had been achieved (Gateway Hurdle) and, once granted, awards only vested if the performance hurdles over a further three-year performance period (in addition to the initial one year NPAT performance period) were met. LTI awards are structured as rights to acquire ordinary shares in the Company at no cost to the executive other than for Mr Bruce McWilliam and Mr Ryan Stokes.

Tax deferral on equity incentive plans is not permitted where an executive is not directly employed or where the executive has an interest in shares in the Company which represents more than 10 per cent of the Company's issued share capital. Where this occurs, an approach to achieve an equivalent outcome as for other executives participating in the plan is to cash settle the rights using the same terms and conditions as for the performance rights that are equity settled under the LTI plan. For Mr Bruce McWilliam who is not employed directly by the Company and for Mr Ryan Stokes who has an interest in shares in the Company which represents more than 10 per cent of the Company's issued share capital, should the LTI award rights vest, they will be cash settled.

Accounting standards require the fair value of cash settled equity plans to be recalculated each year, unlike equity settled plans where the fair value is calculated at the start of the performance period. The values calculated under accounting standards and reported in section 10.B may not represent the future value that the KMP Executive will receive, as the vesting of the performance rights and cash settled equity is subject to the Company achieving pre-defined performance measures.

The Company did not achieve its NPAT target in FY12, FY13 or FY15 and accordingly grants were not made in respect of performance in those years.

The FY14 and FY16 NPAT targets were achieved and as a result LTI awards were granted in FY15 in respect of FY14 performance and in FY17 in respect of FY16 performance to eligible executives and may vest subject to achievement of the further three-year performance hurdles under the LTI plan.

From FY17, the LTI Plan Gateway Hurdle was approved by shareholders to be removed for grants made under the LTI Plan, applying from FY17, to allow for annual awards to be made to senior executives. These awards will be subject to the achievement of performance conditions over a four-year period so that the executives only realise value from the award where those performance conditions have been met. The first grants under the revised LTI plan will be made in FY18 in respect of FY17 with the four-year performance period commencing on 1 July 2016.

Details of the vesting profiles of the performance rights held by KMP Executives during FY17 under the LTI plan are detailed below.

KMP	Grant date	Expiry date	Fair value per right at grant date TSR component	Fair value per right at grant date EPS component	Number of share rights	Number of rights vested during the year	% forfeited in the year	Financial year in which grant may vest
RK Stokes	1 Dec 14	1 Sep 17	$3.89	$6.33	57,251	–	–	30 Jun 18
JE Croome	1 Dec 14	1 Sep 17	$3.89	$6.33	23,536	–	–	30 Jun 18
RJ Richards	1 Dec 14	1 Sep 17	$3.89	$6.33	45,801	–	–	30 Jun 18
JE Croome	3 Aug 16	1 Sep 19	$4.52	$6.14	83,716	–	–	30 Jun 20
RJ Richards	3 Aug 16	1 Sep 19	$4.52	$6.14	76,105	–	–	30 Jun 20
JE Croome	1 Jul 16	1 Sep 20	$3.50	$4.98	120,087	–	–	30 Jun 21
RJ Richards	1 Jul 16	1 Sep 20	$3.50	$4.98	109,170	–	–	30 Jun 21

Movements in the holdings of cash settled performance rights held by KMP Executives during FY17 under the LTI plan are detailed below.

KMP	Grant date	Vesting date	Fair value per right at grant date TSR component	Fair value per right at grant date EPS component	Held at 1 July 2016	Number of rights granted	Forfeited	Vested	Held at 30 June 2017
RK Stokes	3 Aug 16	1 Sep 19	$4.52	$6.14	–	121,769	–	–	121,769
BI McWilliam	3 Aug 16	1 Sep 19	$4.52	$6.14	–	20,929	–	–	20,929
RK Stokes	1 Jul 16	1 Sep 20	$3.50	$4.98	–	174,672	–	–	174,672
BI McWilliam	1 Jul 16	1 Sep 20	$3.50	$4.98	–	30,021	–	–	30,021

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

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

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	2018 $	2019 $	2020 $
JE Croome	169,341	297,845	239,422
RJ Richards	153,946	270,765	217,658

C. 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 2016	Purchases and other changes during the year	Shares granted as remuneration during the year[a]	Rights converted to shares during the year	Number held at 30 June 2017
KM Stokes AC	207,304,349	–	–	–	207,304,349
SA Chaplain	17,000	–	–	–	17,000
TJ Davis	80,000	–	–	–	80,000
CJ Mackay	10,000	–	–	–	10,000
DI McEvoy	30,000	–	–	–	30,000
WL Smith AM	40,800	–	–	–	40,800
RA Uechtritz	1,002,476	(225,484)	–	–	776,992
MC Wells[b]	4,000	–	–	–	4,000
RK Stokes	260,780	–	–	–	260,780
MJ Allibon[b]	8,000	–	–	–	8,000
JE Croome	20,000	(1,000)	–	–	19,000
L Luo	–	–	–	–	–
BI McWilliam	159,011	12,959	–	–	171,970
RJ Richards	65,774	(65,774)	–	–	–
MJ Vitlich[c]	–	–	–	–	–

(a) Includes share rights and performance rights granted as remuneration during the year and held in trust until vested.
(b) Closing details are as at date of cessation as KMP.
(c) Opening details are as at date of commencement as KMP.

TELYS4

KMP	Number held at 1 July 2016	Purchases and other changes during the year	Number held at 30 June 2017
TJ Davis	10,000	5,510	15,510
MC Wells[a]	710	–	710
RK Stokes	2,500	–	2,500
MJ Allibon[a]	200	–	200
JE Croome	1,650	–	1,650
RJ Richards	14,560	845	15,405

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

D. 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 Holdings Limited shares which operate to limit the executives' economic risk under any equity-based incentive schemes.

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

8. KEY MANAGEMENT PERSONNEL RELATED PARTY TRANSACTIONS

Key Management Personnel related party transactions

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

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

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

	2017 $	2016 $
Revenue		
– Lease incentive	4,888,940	–
Total revenue	**4,888,940**	**–**
Expenses		
– Lease of premises and related outgoings	20,704,556	41,337,604
– Travel expenses	105,060	48,778
– Electricity under supply agreement	–	1,723,689
– Consulting agreement	250,000	250,000
– Other net expense reimbursements	412,512	587,290
Total expenses	**21,472,128**	**43,947,361**
Assets and liabilities		
– Trade and other receivables – current	–	–
– Trade and other payables – current	–	–

The WesTrac Group had previously entered into a number of leases for premises owned by a director related entity. During the year, a number of these properties were sold to an arm's length third party. Accordingly, the rent expense for the use of these properties is disclosed in the table within expenses but has declined from the prior year as the properties are now leased from an arm's length third party. For further detail of the transaction, refer to Note 33: Related Party Disclosures in the Annual Report.

Loans and other transactions with Key Management Personnel

During the year, a company associated with a Director, Mr Bruce 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 (2016: $250,000). This amount is included in the remuneration disclosures and in the table above.

During the year ended 30 June 2017, Mr Kerry Stokes AC and Mr Ryan Stokes were directors on the board of Seven West Media Limited, representing Seven Group Holdings Limited. They are paid a director fee by Seven West Media Limited for their services provided which is disclosed in Seven West Media Limited's Remuneration Report. Professor Murray Wells and Mr Warwick Smith AM receive director fees for their services provided to Flagship Property Holdings Pty Limited. Mr Ryan Stokes and Mr Richard Richards receive director fees for their services provided to Beach Energy Limited. As the amounts are not paid or payable by Seven Group Holdings Limited they have not been included in the remuneration disclosures or the below table.

Other director fees	2017 $	2016 $
KM Stokes AC	377,129	347,510
MC Wells	25,208	55,000
WL Smith AM	70,000	65,000
RK Stokes	247,341	149,529
RJ Richards	46,479	–

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
RK Stokes	On-going	6 months	6 months	No contractual termination payments
JE Croome	On-going	6 months	6 months	No contractual termination payments
L Luo	Three years	6 months	6 months	No contractual termination payments
RJ Richards	On-going	6 months	6 months	No contractual termination payments
MJ Vitlich	On-going	6 months	6 months	No contractual termination payments

Mr Bruce McWilliam is not directly employed by the Company however his services are provided under an agreement with Seven West Media Limited. Consequently Mr Bruce McWilliam does not have any applicable contract term, notice period or contractual termination payments.

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

10. REMUNERATION IN DETAIL

A. TOTAL REMUNERATION EARNED BY KMP EXECUTIVES IN FY17 (NON-STATUTORY DISCLOSURES)

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

The values in this table will not reconcile with those provided in the statutory disclosures in table 10B. For example, table 10B discloses the value of LTI grants which may or may not vest in future years, whereas this table discloses the value of LTI grants from previous years which vested in FY17.

KMP Executives[(a)]	Year	Cash salary & fees $	STI cash bonus $	Non-monetary benefits $	Super-annuation benefits $	Termination benefits $	Deferred STI vested in the year $	LTI vested in the year $	Total $
RK Stokes	**2017**	**1,580,384**	**320,000**	**11,914**	**19,616**	**–**	**–**	**–**	**1,931,914**
(Managing Director & Chief Executive Officer)	2016	1,580,692	–	14,734	19,308	–	–	–	1,614,734
MJ Allibon	**2017**	**60,156**	**22,969**	**–**	**–**	**22,969**	**–**	**–**	**106,094**
(Group Executive, Human Resources)	2016	131,250	–	–	–	–	–	–	131,250
JE Croome	**2017**	**1,080,692**	**192,500**	**2,081**	**19,616**	**–**	**–**	**–**	**1,294,889**
(Chief Executive, WesTrac Australia)	2016	1,072,379	–	29,614	19,308	–	–	–	1,121,301
L Luo	**2017**	**727,612**	**124,348**	**96,366**	**79,796**	**–**	**–**	**–**	**1,028,122**
(Chief Executive Officer, WesTrac China)	2016	734,981	–	97,435	86,680	–	–	–	919,096
BI McWilliam	**2017**	**525,000**	**41,250**	**–**	**–**	**–**	**–**	**–**	**566,250**
(Commercial Director)	2016	525,000	–	–	–	–	–	–	525,000
RJ Richards	**2017**	**973,071**	**212,500**	**5,245**	**25,968**	**–**	**–**	**–**	**1,216,784**
(Group Chief Financial Officer)	2016	971,565	–	4,210	28,435	–	–	–	1,004,210
MJ Vitlich	**2017**	**63,846**	**–**	**351**	**4,904**	**–**	**–**	**–**	**69,101**
(Group Chief Operating Officer)	2016	–	–	–	–	–	–	–	–
Total KMP Executives	**2017**	**5,010,762**	**913,567**	**115,957**	**149,899**	**22,969**	**–**	**–**	**6,213,154**
Total KMP Executives	2016	5,015,867	–	145,993	153,731	–	–	–	5,315,591

(a) Non-Executive Director remuneration is consistent with the amounts disclosed in the statutory table in section 10.B with the exception of Professor Murray Wells who received an additional $372,711 in cash as a retirement benefit. This amount had been previously disclosed as Non-Executive Director Retirement Benefits.

B. TOTAL REMUNERATION FOR KMP IN FY17 (STATUTORY DISCLOSURES)

The following table sets out the audited remuneration details for the Group's KMP for the year ended 30 June 2017, calculated in accordance with statutory accounting requirements.

		Short-term benefits			Post-employment benefits
KMP	Year	Salary & fees $	STI cash bonus $	Non-monetary benefits $	Superannuation benefits $
KM Stokes AC (Executive Chairman)	**2017**	**330,384**	**–**	**40,492**	**19,616**
	2016	330,692	–	39,624	19,308
SA Chaplain[c] (Non-Executive Director)	**2017**	**215,762**	**–**	**–**	**19,267**
	2016	101,471	–	–	9,640
TJ Davis (Non-Executive Director)	**2017**	**191,781**	**–**	**–**	**18,219**
	2016	191,781	–	–	18,219
CJ Mackay (Non-Executive Director)	**2017**	**173,516**	**–**	**–**	**16,484**
	2016	173,516	–	–	16,484
DI McEvoy (Non-Executive Director)	**2017**	**173,516**	**–**	**–**	**16,484**
	2016	159,165	–	–	15,121
WL Smith (Non-Executive Director)	**2017**	**173,516**	**–**	**–**	**16,484**
	2016	173,516	–	–	16,484
RA Uechtritz (Non-Executive Director)	**2017**	**191,781**	**–**	**–**	**18,219**
	2016	191,781	–	–	18,219
MC Wells (Non-Executive Director) (retired 17 November 2016)	**2017**	**80,488**	**–**	**4,118**	**9,808**
	2016	210,692	–	–	19,308
RK Stokes[d] (Managing Director & Chief Executive Officer)	**2017**	**1,580,384**	**350,000**	**11,914**	**19,616**
	2016	1,580,692	320,000	14,734	19,308
MJ Allibon[e][f] (Group Executive, Human Resources) (resigned 16 December 2016)	**2017**	**60,156**	**–**	**–**	**–**
	2016	131,250	22,969	–	–
JE Croome (Chief Executive Officer, WesTrac Australia)	**2017**	**1,080,692**	**233,750**	**2,081**	**19,616**
	2016	1,072,379	192,500	29,614	19,308
L Luo[g] (Chief Executive Officer, WesTrac China)	**2017**	**727,612**	**156,981**	**96,366**	**79,796**
	2016	734,981	124,348	97,435	86,680
BI McWilliam[h] (Commercial Director)	**2017**	**525,000**	**37,813**	**–**	**–**
	2016	525,000	41,250	–	–
RJ Richards (Group Chief Financial Officer)	**2017**	**973,071**	**225,000**	**5,245**	**25,968**
	2016	971,565	212,500	4,210	28,435
JR Scott (Group Chief Operating Officer) (ceased 30 June 2016)	**2017**	**–**	**–**	**–**	**–**
	2016	630,693	227,500	7,477	19,308
MJ Vitlich (Group Chief Operating Officer) (commenced 1 June 2017)	**2017**	**63,846**	**–**	**351**	**4,904**
	2016	–	–	–	–
Total KMP	**2017**	**6,541,506**	**1,003,544**	**160,567**	**284,480**
Total KMP	2016	7,179,174	1,141,067	193,094	305,822

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

(b) Mr Ryan Stokes and Mr Bruce McWilliam receive cash settled equity which is required to be re-fair valued each reporting period in accordance with accounting standard requirements. The value reflects the increase in the fair value of equity granted. Equity awarded to other Key Executives is equity settled and therefore not required to be re fair valued under accounting standards.

(c) Ms Sally Annabelle Chaplain was appointed as KMP on 24 November 2015 as such the 2016 comparison is not for a full year.

	Other long-term benefits		Termination benefits	Share-based payments					
	Long service leave and annual leave $	Deferred Incentive $	Termination benefits $	Performance Rights[a] $	Deferred shares / share rights $	Cash settled equity (employee expense)[a] $	Cash settled equity (re-fair value)[b] $	Total $	Remuneration performance related %
	–	–	–	–	–	–	–	390,492	–
	–	–	–	–	–	–	–	389,624	–
	–	–	–	–	–	–	–	235,028	–
	–	–	–	–	–	–	–	111,111	–
	–	–	–	–	–	–	–	210,000	–
	–	–	–	–	–	–	–	210,000	–
	–	–	–	–	–	–	–	190,000	–
	–	–	–	–	–	–	–	190,000	–
	–	–	–	–	–	–	–	190,000	–
	–	–	–	–	–	–	–	174,286	–
	–	–	–	–	–	–	–	190,000	–
	–	–	–	–	–	–	–	190,000	–
	–	–	–	–	–	–	–	210,000	–
	–	–	–	–	–	–	–	210,000	–
	–	–	–	–	–	–	–	94,414	–
	–	–	–	–	–	–	–	230,000	–
	45,521	–	–	285,433	335,000	250,363	384,493	3,262,724	42
	20,375	–	–	46,360	160,000	111,480	–	2,272,949	23
	–	–	22,969	–	(11,485)	(8,203)	–	63,437	(18)
	–	–	–	–	11,485	8,203	–	173,907	20
	11,933	–	–	293,279	213,125	–	–	1,854,476	40
	2,868	–	–	99,513	96,250	–	–	1,512,432	26
	–	140,665	–	–	–	–	–	1,201,420	12
	45,206	62,174	–	–	–	–	–	1,150,824	10
	–	–	–	–	39,531	62,192	66,085	730,620	20
	–	–	–	–	20,625	17,188	–	604,063	10
	29,750	–	–	387,294	218,750	–	–	1,865,078	45
	41,348	–	–	109,237	106,250	–	–	1,473,545	29
	–	–	–	–	–	–	–	–	–
	8,751	–	–	53,572	–	–	–	947,301	30
	5,288	–	–	–	–	–	–	74,389	–
	–	–	–	–	–	–	–	–	–
	92,492	140,665	22,969	966,005	794,921	304,351	450,578	10,762,078	
	118,548	62,174	–	308,682	394,610	136,871	–	9,840,042	

(d) A reclassification from performance rights to cash settled equity has been made to 2016 amounts for Mr Ryan Stokes.

(e) Salary & fees for Mrs Melanie Allibon relates to amounts recharged by Seven West Media Limited to Seven Group Holdings Limited.

(f) Termination benefits for Mrs Melanie Allibon relate to the Company waiving the requirement for Mrs Allibon to repay to the Company the deferred component of her FY16 STI on cessation of her employment during the deferral period. Mrs Melanie Allibon's FY16 LTI was forfeited and accordingly has been reversed.

(g) Remuneration amounts converted from US dollars based on an exchange rate of 0.7545 Australian dollars for each $1 US dollar for amounts paid and the year-end rate of 0.7692 for amounts accrued.

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

End of audited Remuneration Report.

INDEMNITY

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

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

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

INSURANCE PREMIUMS

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

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

NON-AUDIT SERVICES

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

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

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 75.

Details of amounts paid or payable to the auditor, Deloitte Touche Tohmatsu, for audit and non-audit services provided during the year are set out in Note 34 to the financial statements.

ROUNDING OFF

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

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

Kerry Stokes

KM Stokes AC
Executive Chairman

SA Chaplain
Chair of the Audit & Risk Committee

Sydney
22 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Seven Group Holdings Limited
38-42 Pirrama Road
Pyrmont NSW 2009

22 August 2017

Dear Board Members

Seven Group Holdings Limited

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

As lead audit partner for the audit of the financial statements of Seven Group Holdings Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JLGorton

JL Gorton
Partner
Chartered Accountant

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	2017 $m	2016 $m
Continuing operations			
Revenue	4	2,282.3	2,237.2
Other income			
Dividend income		33.0	36.8
Gain on sale of investments and equity accounted investees		1.9	7.9
Other		21.2	42.0
Total other income		**56.1**	**86.7**
Share of results from equity accounted investees	11	(182.3)	91.0
Impairment reversal/(impairment) of equity accounted investee	11	128.4	(0.4)
Fair value movement of derivatives		1.9	4.2
Expenses excluding depreciation and amortisation	4	(2,136.1)	(2,109.2)
Profit before depreciation, amortisation, net finance expense and income tax		**150.3**	**309.5**
Depreciation and amortisation		(30.5)	(33.1)
Profit before net finance expense and income tax		**119.8**	**276.4**
Finance income	5	8.7	4.6
Finance expense	5	(85.2)	(90.3)
Net finance expense		**(76.5)**	**(85.7)**
Profit before income tax		**43.3**	**190.7**
Income tax expense	6	(26.9)	(6.7)
Profit for the year from continuing operations		**16.4**	**184.0**
Profit for the year from discontinued operations	32	29.8	13.8
Profit for the year		**46.2**	**197.8**
Profit for the year attributable to:			
Equity holders of the Company		44.5	196.8
Non-controlling interest		1.7	1.0
Profit for the year		**46.2**	**197.8**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Net change in fair value of financial assets at fair value through other comprehensive income	24	(110.7)	(225.5)
Impact of transition – AASB 9: Financial Instruments		–	(4.8)
Income tax relating to items that will not be reclassified subsequently to profit or loss	24	33.6	67.7
Total items that will not be reclassified subsequently to profit or loss		**(77.1)**	**(162.6)**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges: effective portion of changes in fair value	24	(86.3)	28.6
Foreign currency differences for foreign operations	24	(48.6)	15.6
Impact of transition – AASB 9: Financial Instruments		–	0.4
Income tax relating to items that may be reclassified subsequently to profit or loss	24	28.8	(9.6)
Total items that may be reclassified subsequently to profit or loss		**(106.1)**	**35.0**
Total comprehensive income for the year		**(137.0)**	**70.2**
Total comprehensive income for the year attributable to:			
Equity holders of the Company		(138.5)	69.2
Non-controlling interest		1.5	1.0
Total comprehensive income for the year		**(137.0)**	**70.2**

	Note	2017 $	2016 $
Statutory earnings per share (EPS)			
From continuing and discontinued operations			
Basic earnings per share	7	0.07	0.60
Diluted earnings per share	7	0.07	0.60
From continuing operations			
Basic earnings per share	7	(0.03)	0.55
Diluted earnings per share	7	(0.03)	0.55

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2017 $m	2016[a] $m
Current assets			
Cash and cash equivalents	18	172.5	366.8
Trade and other receivables	8	336.5	554.4
Inventories	10	654.7	831.3
Other current assets		14.0	28.9
Derivative financial instruments	23	0.3	1.7
Assets held for sale	31	731.4	–
Total current assets		**1,909.4**	**1,783.1**
Non-current assets			
Investments accounted for using the equity method	11	1,136.5	998.0
Trade and other receivables		4.9	–
Other financial assets	22	598.8	974.6
Property, plant and equipment	12	159.9	172.0
Producing and development assets	13	213.9	214.5
Exploration and evaluation assets	14	222.2	218.0
Intangible assets	15	456.7	779.9
Deferred tax assets	6	0.2	6.4
Derivative financial instruments	23	133.5	184.4
Total non-current assets		**2,926.6**	**3,547.8**
Total assets		**4,836.0**	**5,330.9**
Current liabilities			
Trade and other payables	9	288.6	347.0
Interest bearing loans and borrowings	20	40.7	220.1
Deferred income		88.5	228.7
Current tax liability		0.6	9.9
Provisions	16	40.0	48.5
Employee benefits	17	37.8	36.8
Derivative financial instruments	23	2.4	16.4
Liabilities held for sale	31	188.0	–
Total current liabilities		**686.6**	**907.4**
Non-current liabilities			
Other payables	9	0.9	0.4
Interest bearing loans and borrowings	20	1,439.9	1,514.2
Deferred tax liabilities	6	122.6	125.9
Deferred income		11.8	12.7
Provisions	16	64.1	50.8
Employee benefits	17	12.8	12.5
Derivative financial instruments	23	72.1	8.8
Total non-current liabilities		**1,724.2**	**1,725.3**
Total liabilities		**2,410.8**	**2,632.7**
Net assets		**2,425.2**	**2,698.2**
Equity			
Contributed equity	24	2,472.9	2,472.7
Reserves	24	(647.7)	(466.0)
Retained earnings		588.0	679.7
Total equity attributable to equity holders of the Company		**2,413.2**	**2,686.4**
Non-controlling interest		12.0	11.8
Total equity		**2,425.2**	**2,698.2**

(a) certain balances have been restated due to management reassessment. Refer to Note 1 for further information.

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 2017

	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
Year ended 30 June 2017							
Balance as at 1 July 2016		**2,472.7**	**(466.0)**	**679.7**	**2,686.4**	**11.8**	**2,698.2**
Profit for the year		–	–	44.5	44.5	1.7	46.2
Net change in fair value of financial assets measured at fair value through other comprehensive income	24	–	(110.7)	–	(110.7)	–	(110.7)
Cash flow hedges: effective portion of changes in fair value	24	–	(86.3)	–	(86.3)	–	(86.3)
Foreign currency differences for foreign operations	24	–	(48.4)	–	(48.4)	(0.2)	(48.6)
Income tax on items of other comprehensive income	24	–	62.4	–	62.4	–	62.4
Total comprehensive income for the year		**–**	**(183.0)**	**44.5**	**(138.5)**	**1.5**	**(137.0)**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	25	–	–	(112.5)	(112.5)	(1.3)	(113.8)
TELYS4 dividends paid	25	–	–	(23.7)	(23.7)	–	(23.7)
Own shares acquired	24	(0.1)	–	–	(0.1)	–	(0.1)
Shares vested to employees	24	0.3	(0.3)	–	–	–	–
Share based payments		–	1.6	–	1.6	–	1.6
Total contributions by and distributions to owners		**0.2**	**1.3**	**(136.2)**	**(134.7)**	**(1.3)**	**(136.0)**
Total movement in equity for the year		**0.2**	**(181.7)**	**(91.7)**	**(273.2)**	**0.2**	**(273.0)**
Balance as at 30 June 2017		**2,472.9**	**(647.7)**	**588.0**	**2,413.2**	**12.0**	**2,425.2**
Year ended 30 June 2016							
Balance as at 1 July 2015		**2,544.6**	**(344.2)**	**627.2**	**2,827.6**	**12.8**	**2,840.4**
Profit for the year		–	–	196.8	196.8	1.0	197.8
Impact of transition – AASB 9: Financial Instruments		–	0.4	(4.8)	(4.4)	–	(4.4)
Net change in fair value of financial assets measured at fair value through other comprehensive income	24	–	(225.5)	–	(225.5)	–	(225.5)
Cash flow hedges: effective portion of changes in fair value	24	–	28.6	–	28.6	–	28.6
Foreign currency differences for foreign operations	24	–	15.6	–	15.6	–	15.6
Income tax on items of other comprehensive income	24	–	58.1	–	58.1	–	58.1
Total comprehensive income for the year		**–**	**(122.8)**	**192.0**	**69.2**	**1.0**	**70.2**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	25	–	–	(114.9)	(114.9)	(2.0)	(116.9)
TELYS4 dividends paid	25	–	–	(24.6)	(24.6)	–	(24.6)
Shares bought back on-market	24	(72.1)	–	–	(72.1)	–	(72.1)
Shares vested to employees	24	0.2	–	–	0.2	–	0.2
Share based payments		–	1.0	–	1.0	–	1.0
Total contributions by and distributions to owners		**(71.9)**	**1.0**	**(139.5)**	**(210.4)**	**(2.0)**	**(212.4)**
Total movement in equity for the year		**(71.9)**	**(121.8)**	**52.5**	**(141.2)**	**(1.0)**	**(142.2)**
Balance as at 30 June 2016		**2,472.7**	**(466.0)**	**679.7**	**2,686.4**	**11.8**	**2,698.2**

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 2017

	Note	2017 $m	2016 $m
Cash flows related to operating activities			
Receipts from customers		3,054.6	3,028.4
Payments to suppliers and employees		(2,772.9)	(2,740.6)
Dividends received from equity accounted investees		66.3	73.8
Other dividends received		32.8	37.5
Interest and other items of a similar nature received		8.7	4.9
Interest and other costs of finance paid		(80.5)	(86.7)
Income taxes (paid)/refunded		(13.2)	4.3
Income tax funding paid to equity accounted investee		–	(7.2)
Net operating cash flows	19	**295.8**	**314.4**
Cash flows related to investing activities			
Payments for purchases of property, plant and equipment		(17.9)	(8.6)
Proceeds from sale of property, plant and equipment		7.7	0.7
Payments for purchase of intangible assets		(3.3)	(22.6)
Payment for production, development and exploration expenditure		(11.5)	(18.0)
Acquisition of equity accounted investees		(2.5)	(4.8)
Payments for other investments		(79.3)	(141.0)
Proceeds from sale of other financial assets		81.3	95.4
Net investing cash flows		**(25.5)**	**(98.9)**
Cash flows related to financing activities			
Payments under share buy-back	24	–	(72.1)
Ordinary dividends paid	25	(112.5)	(114.9)
TELYS4 dividends paid	25	(23.7)	(24.6)
Dividend paid to non-controlling interests		(1.3)	(2.0)
Proceeds from borrowings		366.1	385.9
Repayment of borrowings		(608.5)	(318.0)
Net financing cash flows		**(379.9)**	**(145.7)**
Net increase in cash and cash equivalents		**(109.6)**	**69.8**
Cash and cash equivalents at beginning of the year		366.8	290.7
Effect of exchange rate changes on cash and cash equivalents		(7.9)	6.3
Cash and cash equivalents included in assets held for sale	31	(76.8)	–
Cash and cash equivalents at end of the year	18	**172.5**	**366.8**

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

1. BASIS OF PREPARATION

Seven Group Holdings Limited (the Company) is a for profit company limited by shares and the shares are publicly traded on the Australian Securities Exchange (ASX). The Company is domiciled in Australia. These consolidated financial statements cover the year ended 30 June 2017 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 22 August 2017.

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

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

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

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

Certain comparative amounts in this financial report have been reclassified to conform to the current year's presentation or to correct a misstatement. In particular:

- Management have reassessed the methodology associated with prior period calculations of provision for doubtful debts, net realisable value of inventory, accruals and provision for warranty. This has resulted in an increase in the opening carrying values of inventory ($6.5 million) and trade and other receivables ($11.7 million), decrease in trade and other payables ($26.0 million), current provisions ($1.3 million) and deferred tax assets ($3.1 million). The net impact of these adjustments ($42.4 million) has been recognised as an adjustment to opening retained earnings at 1 July 2015.

(a) Accounting policies

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

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

- AASB 9: Financial Instruments (AASB 9) has not been early adopted by all equity accounted investees. The Group elected to early adopt AASB 9: Financial Instruments (2014) in full in the year ended 30 June 2016.
- Recognition of deferred tax liabilities on indefinite life intangible assets.

(b) Principles of consolidation

Subsidiaries

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

Where there is loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

All inter-company balances and transactions, including unrealised gains arising from intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial report is presented in Australian Dollars, which is the Company's functional and presentation currency.

Transactions

Foreign currency transactions are translated into the respective functional currencies of Group entities using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity such as for qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in the fair value through other comprehensive income reserve in equity.

Foreign group entities

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from Australian Dollars are translated into Australian Dollars as follows:

- assets and liabilities are translated at the closing rate at the balance date;
- income and expenses of foreign entities are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction); and
- all resulting exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve.

Borrowings and other financial instruments designated as hedges of any net investment in a foreign entity are recognised in other comprehensive income and presented in the foreign currency translation reserve. When a foreign entity is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are transferred to profit or loss as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(e) Change in accounting policies

The IFRS Interpretations Committee (IC) clarified its position with respect to the recognition of deferred tax liabilities for indefinite life intangible assets. As a result of the clarification, the Group has amended its accounting policy and accordingly recognised an increase in goodwill ($85.0 million), retained earnings adjustment ($11.4 million) and deferred tax liability ($96.4 million). The adjustment has been made to the opening balances of the earliest comparative period, being 1 July 2015. Refer to Note 6: Income Tax for further detail.

(f) 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 this financial report. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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

AASB 15 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in AASB 15 provide a more structured approach to measuring and recognising revenue. It is mandatory for the Group's 30 June 2019 financial statements.

Work performed to date by the Group has focused on reviewing a number of product sales and product support revenue contracts within WesTrac Australia, given the operating segment accounts for 97 per cent of the consolidated revenue from continuing operations for the year ended 30 June 2017. Based on contracts reviewed, the impacts to the Group's financial statements primarily relate to:

(i) training: currently, any customer training included in the sale of a machine is recognised upfront as part of the initial sale. Under AASB 15, the sale price element referable to training will be deferred until the earlier of it being undertaken by the customer or contractual expiration;

(ii) penalty costs: any penalty costs incurred by WesTrac Australia due to the non-fulfilment of contractual targets, e.g. liquidated damages due to customer equipment availability targets not met will no longer be recognised as period costs. Rather, they will be recognised as a reduction in revenue, effectively representing a reclassification between line items in the profit or loss; and

(iii) component life provisioning: currently this provision is recognised as part of materials cost of inventory sold and used in product sales and product support. Going forward, the amount will be recognised as a reduction in revenue.

Based on the work performed thus far, the changes identified above are not expected to have a material impact to the Group's consolidated financial statements. AASB 15 provides several transition options for adoption. While the Group is still assessing its transition options, it currently expects to adopt the modified transition approach. Under this approach, the standard is applied only to those contracts that exist at transition date, with the cumulative effect of transition recognised in retained earnings. Furthermore, while this approach does not require the restatement of comparatives, additional quantitative information regarding each financial line item impacted by the transition is required to be disclosed.

AASB 16: Leases (AASB 16)

AASB 16 removes the lease classification test for lessees and requires all leases (including operating leases) to be brought onto the balance sheet for lessees. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. It is mandatory for the Group's 30 June 2020 financial statements. The Group is yet to fully determine the effect of the standard on the Group.

(g) Critical accounting estimates and judgements

The preparation of financial statements requires that management make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are incorporated and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are outlined in the relevant note, except as detailed below.

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.

2. OPERATING SEGMENTS

Recognition and measurement

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's executive management team and Board to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the executive management team and Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, oil and natural gas assets and intangible assets other than goodwill.

The Group's WesTrac China segment is classified as held for sale at 30 June 2017. Accordingly the segment information reported does not include any amounts for the discontinued operations. Refer to Note 32: Discontinued operations for further detail.

WesTrac Australia	WesTrac Australia is the authorised Caterpillar dealer (including Bucyrus/Expanded Mining Products) in Western Australia, New South Wales and the Australian Capital Territory, providing heavy equipment sales and support to customers.
AllightSykes	AllightSykes represents the Group's operations in the manufacture, assembly, sales and support of lighting towers, FG Wilson power generation and dewatering equipment as well as distribution of Perkins engines.
Coates Hire	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	Media investments relate to investments in listed and unlisted media organisations, including but not limited to, Seven West Media Limited.
Energy	Energy relates to the Group's 11.2 per cent working interest in the Bivins Ranch basin in Texas USA, the Group's wholly-owned interest in SGH Energy Pty Limited and the Group's equity accounted investment in Beach Energy Limited (Beach Energy).
Other investments	Other investments incorporates listed investments and property.

The Group is domiciled in Australia and operated predominantly in three countries: Australia, China and the United States of America.

													Continuing operations		Discontinued operations			
	WesTrac Australia[(a)]		AllightSykes[(a)]		Coates Hire		Media investments[(b)]		Energy		Other investments		Total		WesTrac China[(c)]		Total	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Segment revenue																		
Sales to external customers	2,203.7	2,150.0	68.7	69.7	–	–	–	–	4.6	5.7	5.3	11.8	**2,282.3**	**2,237.2**	–	–	**2,282.3**	**2,237.2**
Segment result																		
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)[(d)]	190.7	192.7	(1.4)	(1.0)	24.7	5.2	69.7	88.3	27.8	0.7	36.9	40.6	**348.4**	**326.5**	–	–	**348.4**	**326.5**
Depreciation and amortisation	(26.4)	(27.4)	(1.7)	(2.4)	–	–	–	–	(2.1)	(3.0)	(0.2)	(0.2)	**(30.4)**	**(33.0)**	–	–	**(30.4)**	**(33.0)**
Segment earnings before interest and tax (EBIT)[(e)]	**164.3**	**165.3**	**(3.1)**	**(3.4)**	**24.7**	**5.2**	**69.7**	**88.3**	**25.7**	**(2.3)**	**36.7**	**40.4**	**318.0**	**293.5**	**–**	**–**	**318.0**	**293.5**
Other segment information																		
Share of results of equity accounted investees included in segment EBIT (excluding significant items)[(f)]	0.6	(0.2)	–	–	23.2	3.7	68.3	85.0	28.3	–	0.6	1.5	**121.0**	**90.0**	–	–	**121.0**	**90.0**
Impairment reversal/ (impairment) of assets	–	–	–	–	–	–	128.4	(0.4)	–	–	–	–	**128.4**	**(0.4)**	–	–	**128.4**	**(0.4)**
Capital expenditure	(19.8)	(27.9)	(0.6)	(2.4)	–	–	–	–	(11.5)	(18.0)	–	(0.1)	**(31.9)**	**(48.4)**	–	–	**(31.9)**	**(48.4)**
Investments accounted for using the equity method	29.6	29.0	–	–	300.2	283.0	443.2	655.8	335.1	–	28.4	30.2	**1,136.5**	**998.0**	–	–	**1,136.5**	**998.0**
Other segment assets	1,555.6	1,587.5	37.1	48.1	–	–	112.4	95.3	436.3	690.7	515.8	669.0	**2,657.2**	**3,090.6**	–	671.3	**2,657.2**	**3,761.9**
Segment assets	**1,585.2**	**1,616.5**	**37.1**	**48.1**	**300.2**	**283.0**	**555.6**	**751.1**	**771.4**	**690.7**	**544.2**	**699.2**	**3,793.7**	**4,088.6**	**–**	**671.3**	**3,793.7**	**4,759.9**
Segment liabilities	**(397.1)**	**(435.4)**	**(13.5)**	**(11.4)**	**–**	**–**	**–**	**(0.1)**	**(59.0)**	**(59.4)**	**(18.0)**	**(19.8)**	**(487.6)**	**(526.1)**	**–**	**(137.5)**	**(487.6)**	**(663.6)**

(a) WesTrac Australia and AllightSykes segment results above have been reduced in relation to the elimination of sales to Coates Hire due to the Group's interest in Coates Hire.
(b) Media investments comprise investments accounted for using the equity method and financial assets fair valued through other comprehensive income.
(c) The WesTrac China segment has been classified as a discontinued operation at 30 June 2017. Refer to Note 32: Discontinued operations for further detail.
(d) Segment EBITDA comprises profit before depreciation and amortisation, net finance expense, income tax and significant items.
(e) Segment EBIT comprises profit before net finance expense, income tax and significant items.
(f) Segment EBITDA, EBIT and share of results of equity accounted investees excludes the share of results from equity accounted investees attributable to significant items.

Refer to Note 3: Significant Items for further details on significant items.

2. OPERATING SEGMENTS (CONTINUED)

	2017 $m	2016 $m
Reconciliation of segment EBIT to net profit before tax per consolidated income statement		
Segment net operating profit before net finance expense and tax (EBIT)	318.0	293.5
Corporate operating costs	(20.8)	(22.0)
Gain on sale of investments and equity accounted investees	1.9	7.9
Share of significant items relating to results from equity accounted investees	(303.3)	1.0
Fair value movement of derivatives	1.9	4.2
Impairment reversal/(impairment) of equity accounted investees	128.4	(0.4)
Restructuring and redundancy costs	(4.8)	(7.3)
Loss on sale of investments and derivative financial instruments	(4.0)	(9.1)
Other significant items	2.5	8.6
Net finance expense	(76.5)	(85.7)
Profit before income tax per consolidated income statement	**43.3**	**190.7**
Reconciliation of segment operating assets to total assets per consolidated statement of financial position		
Segment operating assets	3,793.7	4,759.9
Corporate cash holdings	172.5	366.8
Deferred tax assets	0.2	6.4
Derivative financial instruments	133.8	186.1
Assets held at corporate level	4.4	11.7
Assets held for sale – discontinued operations (WesTrac China)	731.4	–
Total assets per consolidated statement of financial position	**4,836.0**	**5,330.9**
Reconciliation of segment operating liabilities to total liabilities per consolidated statement of financial position		
Segment operating liabilities	(487.6)	(663.6)
Derivative financial instruments	(74.5)	(25.2)
Interest bearing loans and borrowings – current	(40.7)	(220.1)
Interest bearing loans and borrowings – non-current	(1,439.9)	(1,514.2)
Current tax liability	(0.6)	(9.9)
Deferred tax liabilities	(122.6)	(125.9)
Liabilities held at corporate level	(56.9)	(73.8)
Liabilities held for sale – discontinued operations (WesTrac China)	(188.0)	–
Total liabilities per consolidated statement of financial position	**(2,410.8)**	**(2,632.7)**
Segment revenue by geographic segment		
Australia	2,277.7	2,231.5
United States of America	4.6	5.7
Total segment revenue by geographic segment	**2,282.3**	**2,237.2**

Segment revenues are allocated based on the country in which the customer is located. The Energy segment includes revenue derived from the United States of America of $4.6 million (2016: $5.7 million) with no revenue derived in Australia in the current year or prior year.

	2017 $m	2016 $m
Non-current assets by geographic segment		
Australia	955.8	940.1
China	–	339.0
United States of America	101.8	105.3
Total non-current assets by geographic segment	**1,057.6**	**1,384.4**

Non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) is outlined above. Segment assets are allocated to countries based on where the assets are located.

3. 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.

	2017 $m	2016 $m
Continuing operations		
Net gain on sale of investments and equity accounted investees	1.9	7.9
Impairment reversal/(impairment) of equity accounted investee	128.4	(0.4)
Share of results from equity accounted investees attributable to significant items	(303.3)	1.0
Loss on sale of derivative financial instruments	(4.0)	(9.1)
Fair value movement of derivative financial instruments	1.9	4.2
Restructuring and redundancy costs	(4.8)	(7.3)
Significant items in finance income	4.8	–
Acquisition transaction costs incurred	–	(0.7)
Significant items in other income	2.5	9.3
Total significant items before income tax	**(172.6)**	**4.9**
Remeasurement of tax exposures	–	10.0
Income tax benefit/(expense) on significant items	1.9	(0.3)
Total significant items – continuing operations	**(170.7)**	**14.6**
Discontinued operations		
Fair value movement of derivative financial instruments	2.1	1.0
Restructuring and redundancy costs	–	(2.5)
Total significant items before income tax	**2.1**	**(1.5)**
Income tax (expense)/benefit on significant items	(0.6)	0.5
Total significant items – discontinued operations	**1.5**	**(1.0)**

Net gain on sale of investments and equity accounted investees relates to the net profit realised on the disposal of an investment, and in the prior year, the sale of stage four the Kings Square property development in Perth, Western Australia.

Impairment reversal/(impairment) of equity accounted investee relates to the impairment reversal of the Group's investment in the ordinary equity of Seven West Media Limited. Refer also to Note 11: Investments Accounted for Using the Equity Method.

Share of results from equity accounted investees attributable to significant items relates to the Group's share of significant items included in the results of equity accounted investees, such as the gain on sale of properties and assets, restructuring and redundancy costs and onerous contracts.

Loss on sale of derivative financial instruments relates to the loss on unwind of equity derivative positions.

Fair value movement of derivative financial instruments relates to the Group's mark-to-market of cash-settled equity derivatives which are not part of a designated hedge.

Restructuring and redundancy costs relate to the restructuring programs undertaken by Group subsidiaries.

Significant items in finance income comprises interest received on a one-off legal settlement.

Acquisition transaction costs incurred relates to acquisition costs incurred for one-off transactions in the prior year.

Significant items in other income relates to a one-off legal settlement received, and in the prior year, leasing bonuses received on property developments.

Remeasurement of tax exposures relates to the release of a provision for tax uncertainty due to the resolution of audits and reviews by internal revenue authorities in the prior year.

4. REVENUE AND EXPENDITURE

Accounting policy

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 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 the customers; and • there is no significant unfulfilled obligation that could affect the customer's acceptance of the products.
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.
Maintenance and repair contracts (MARC)	Contract revenues and expenses are recognised in accordance with the percentage of (MARC) 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 directly attributable 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. MARC is included in product support revenue.
Revenue from sale of oil, gas and condensate	Oil and gas sales are recognised on production following delivery into the pipeline. Revenue derived from the sale of condensate is brought to account after each shipment is loaded.
Other revenue	Other revenue is recognised when all performance obligations are met, including when a contractual entitlement exists, it can be reliably measured and it is probable that the economic benefits will flow to the Group.
Other income	Other income comprises sundry income and is earned when goods and services are rendered. 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.

Critical accounting estimates and judgements

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 a 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

	2017 $m	2016 $m
Continuing operations		
Revenue		
Revenue from product sales	578.1	732.6
Revenue from product support	1,694.2	1,480.8
Revenue from sale of oil, gas and condensate	4.6	5.7
Other revenue	5.4	18.1
Total revenue	**2,282.3**	**2,237.2**
Expenditure excluding depreciation and amortisation		
Materials cost of inventory sold and used in product sales and product support	(1,494.9)	(1,441.0)
Employee benefits	(432.1)	(451.4)
Operating lease rental	(58.2)	(61.2)
Loss on sale of investments and derivative financial instruments	(4.0)	(9.1)
Other expenses	(146.9)	(146.5)
Total expenses excluding depreciation and amortisation	**(2,136.1)**	**(2,109.2)**

5. NET FINANCE EXPENSE

Accounting policy

Net finance expense comprises interest payable on borrowings calculated using the effective interest method, unwinding of discount on provisions and deferred consideration and interest receivable on funds invested.

Interest income and interest expense include components of finance lease payments which are recognised in profit or loss as they accrue using the effective interest method. Interest expense also includes the net fair value adjustment for cash-settled share-based payments.

	2017 $m	2016 $m
Continuing operations		
Finance income		
Interest income on bank deposits	3.8	4.6
Other	4.9	–
Total finance income	**8.7**	**4.6**
Finance expense		
Interest expense	(77.3)	(82.4)
Borrowing costs	(5.4)	(5.5)
Unwind of discount on provisions	(2.5)	(2.4)
Total finance expense	**(85.2)**	**(90.3)**
Net finance expense	**(76.5)**	**(85.7)**

Other finance income includes $4.8 million in relation to interest received on a legal settlement. This amount is disclosed as a significant item. Interest expense includes $5.2 million in relation to the fair value movement for cash settled share appreciation rights.

6. INCOME TAX

Accounting policy

Income tax expense comprises current and deferred tax expense. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax expense for the period is the expected tax payable on the current period's taxable income based on the enacted or substantively enacted income tax rate for each jurisdiction adjusted by changes to tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences arising between the expected tax bases of assets and liabilities and their carrying amounts in the financial statements. However, 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 and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities that will impact tax expense in the period if such a determination is made.

The Company, its wholly-owned Australian resident entities and Coates Hire 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.

Change in accounting policy

Following clarification by the IFRS Interpretations Committee with respect to the recognition of deferred tax liabilities for indefinite life intangible assets the Group will now recognise deferred tax on indefinite life intangible assets to reflect the expected manner of recovery of the carrying amount of the asset through use rather than sale, where there is no intention to sell.

As a result of the change in accounting policy, deferred tax has been recognised for WesTrac Australia's Caterpillar distribution network and Sitech WA and NSW Loadrite and Lincoln distribution network. An additional deferred tax liability of $96.4 million has been recognised as an adjustment to the opening balance of the comparative period. The corresponding adjustment is an $85.0 million increase in goodwill and $11.4 million reduction in opening retained earnings at 1 July 2015 due to a portion of the WTA Caterpillar distribution network relating to pre-IFRS transition.

Critical accounting estimate and judgement

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the provision for income taxes and the tax cost base of assets and liabilities.

Management judgement is also applied in assessing the recoverability of revenue and capital losses recognised as deferred tax assets by the Group. Deferred tax assets have been recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities and joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

There are many transactions and calculations undertaken for which the ultimate tax determination is uncertain. Assumptions are made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets, liabilities and provision for income taxes recorded in the statement of financial position. In these circumstances the carrying amount of deferred tax assets, liabilities and provision for income taxes may change impacting the profit or loss of the Group.

	Note	2017 $m	2016 $m
Continuing operations			
Income tax expense			
Current tax expense		28.2	(15.6)
Deferred tax expense		(7.0)	(4.6)
Deferred tax expense – impact of de-recognition of deferred taxes		(53.6)	–
Adjustment for prior years – non-temporary differences		5.5	13.5
Total income tax expense		**(26.9)**	**(6.7)**
Reconciliation between tax expense and pre-tax statutory profit:			
Income tax using the domestic corporation tax rate 30%		(13.0)	(57.0)
Recognition of deferred tax asset on capital and revenue losses, not previously recognised		–	3.4
Franked dividends		22.8	27.6
Share of equity accounted investee's net profit		12.0	(1.8)
Remeasurement of tax exposures		–	10.0
Provisional settlement of Hong Kong Inland Revenue Department tax matter		–	(6.1)
Non-assessable income		0.5	4.1
Non-deductible expenses		(1.1)	(0.9)
De-recognition of deferred tax assets		(53.6)	–
Over provided in prior years		5.5	13.1
Difference in overseas tax rates		–	0.9
Income tax expense		**(26.9)**	**(6.7)**
Deferred income tax recognised in other comprehensive income			
Relating to financial assets at fair value through other comprehensive income	24	33.6	67.7
Relating to cash flow hedge reserve	24	28.8	(9.6)
Total deferred income tax recognised directly in equity		**62.4**	**58.1**
Discontinued operations			
Income tax expense			
Current tax expense		(8.5)	(4.0)
Deferred tax expense		2.2	(2.8)
Adjustment for prior years – non-temporary differences		0.1	(5.7)
Total income tax expense		**(6.2)**	**(12.5)**
Reconciliation between tax expense and pre-tax statutory profit:			
Income tax using the domestic corporation tax rate 30%		(10.8)	(8.1)
Recognition of deferred tax asset on capital and revenue losses, not previously recognised		5.4	(1.7)
Non-deductible expenses		(1.8)	(0.6)
Over provided in prior years		0.1	(5.7)
Difference in overseas tax rates		0.9	3.6
Income tax expense		**(6.2)**	**(12.5)**

6. INCOME TAX (CONTINUED)

	Opening balance $m	Recognised in profit $m	Recognised in OCI $m	Other $m	Closing balance $m
Continuing operations					
Deferred tax assets and liabilities					
Year ended 30 June 2017					
Investments	(104.9)	44.7	33.6	(53.6)	(80.2)
Derivative financial instruments	1.2	(20.8)	28.8	–	9.2
Inventories and receivables	2.4	(2.8)	–	–	(0.4)
Property, plant and equipment	(28.3)	(12.2)	–	–	(40.5)
Intangible assets	(96.4)	–	–	–	(96.4)
Trade and other payables	46.7	(8.2)	–	0.6	39.1
Provisions	20.4	4.3	–	–	24.7
Tax losses	39.0	(19.8)	–	–	19.2
Transaction costs deducted over five years	0.4	(0.2)	–	–	0.2
Other	(6.0)	8.0	–	0.7	2.7
Deferred tax – discontinued operations	6.0	–	–	(6.0)	–
Net deferred tax liability	**(119.5)**	**(7.0)**	**62.4**	**(58.3)**	**(122.4)**
Deferred tax asset					0.2
Deferred tax liability					(122.6)
Net deferred tax liability					**(122.4)**
Year ended 30 June 2016					
Investments	(149.8)	(8.7)	53.6	–	(104.9)
Derivative financial instruments	(5.3)	16.1	(9.6)	–	1.2
Inventories and receivables	15.6	(13.2)	–	–	2.4
Property, plant and equipment	(17.0)	(11.3)	–	–	(28.3)
Intangible assets	(96.4)	–	–	–	(96.4)
Trade and other payables	40.4	12.3	–	–	52.7
Provisions	17.6	2.8	–	–	20.4
Tax losses	18.2	(8.9)	14.1	15.6	39.0
Transaction costs deducted over five years	1.1	(0.7)	–	–	0.4
Other	(10.2)	4.2	–	–	(6.0)
Net deferred tax liability	**(185.8)**	**(7.4)**	**58.1**	**15.6**	**(119.5)**
Deferred tax asset					6.4
Deferred tax liability					(125.9)
Net deferred tax liability					**(119.5)**

As at 30 June 2017, the Group had not recognised:

- deferred tax assets of $265.4 million (2016: $115.3 million) for deductible temporary differences relating to unrealised tax benefits as it is not probable that future gains will be realised against which it could utilise the benefits;
- deferred tax asset of $357.8 million (2016: $311.0 million) for deductible temporary differences relating to Petroleum Resource Rent Tax credits;
- deferred tax assets of $26.7 million (2016: $22.9 million) for foreign tax losses; and
- deferred tax liabilities of $6.7 million (2016: $6.0 million) in respect of assessable temporary differences in relation to investments where management controls the timing of the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future.

7. EARNINGS PER SHARE

Accounting policy

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Underlying earnings per share from continuing operations is statutory earnings per share adjusted for significant items. The weighted average number of shares used to calculate underlying earnings per share is the same as the weighted average number of shares used to calculate statutory earnings per share.

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

	2017 $	2016 $
Statutory earnings per share		
Basic		
From continuing operations	(0.03)	0.55
From discontinued operations	0.10	0.05
Total basic earnings per share	**0.07**	**0.60**
Diluted		
From continuing operations	(0.03)	0.55
From discontinued operations	0.10	0.05
Total diluted earnings per share	**0.07**	**0.60**

	2017 $m	2016 $m
Earnings reconciliation by category of share		
Ordinary shares	20.9	172.2
TELYS4	23.6	24.6
Net profit attributable to equity holders of the Company	**44.5**	**196.8**

	2017 Million	2016 Million
Weighted average number of shares		
Ordinary shares for basic earnings per share		
Issued shares as at 1 July	281.2	296.2
Shares bought back and cancelled[a]	–	(15.0)
Issued shares as at 30 June	**281.2**	**281.2**
Weighted average number of shares (basic and diluted) as at 30 June[b]	**282.2**	**285.7**
TELYS4		
Issued shares at as 1 July	5.0	5.0
Issued shares as at 30 June	**5.0**	**5.0**
Weighted average number of shares (basic and diluted) as at 30 June	**5.0**	**5.0**

(a) refer to Note 24: Capital and Reserves for details of shares bought back and cancelled.
(b) weighted average number of shares adjusted for effect of treasury shares and dilutive shares held.

There were 1.0m options that were exercisable, dilutive or anti-dilutive in the current year (2016: nil).

7. EARNINGS PER SHARE (CONTINUED)

	2017 $	2016 $
Underlying earnings per share (non-IFRS measure)		
Basic		
From continuing operations	0.57	0.51
From discontinued operations	0.10	0.05
Total basic underlying earnings per share	**0.67**	**0.56**
Diluted		
From continuing operations	0.57	0.51
From discontinued operations	0.10	0.05
Total diluted underlying earnings per share	**0.67**	**0.56**

Underlying earnings per share from continuing and discontinued operations is a non-IFRS measure and is reconciled to statutory profit or loss as follows:

	2017 $m	2016 $m
Underlying earnings reconciliation by category of share		
Net profit attributable to equity holders of the Company	44.5	196.8
Add/(less): significant items (refer Note 3)	169.2	(13.6)
Underlying net profit attributable to equity holders of the Company	213.7	183.2
Allocated underlying earnings to category of share		
Ordinary shares	190.1	158.6
TELYS4	23.6	24.6
Net underlying earnings attributable to equity holders of the Company	**213.7**	**183.2**

8. TRADE AND OTHER RECEIVABLES

Accounting policy

Trade receivables are generally due for settlement no more than 30 days from the date of recognition with the exception of some receivables from State Owned Enterprises in China and WesTrac Australia customers with alternative settlement terms.

The Group has an established credit policy under which new customers are analysed individually for creditworthiness before the Group's standard payment, delivery terms and conditions are offered. The Group's review includes external ratings, when available. Purchase limits are established for each customer and these limits are reviewed annually or upon request. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group upon lodging of a bank guarantee as a security document or on a strictly pre-paid (cleared funds) only basis.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. Under the expected credit loss model, an impairment provision for receivables is established based on the expected credit losses over the lifetime of expected credit losses for the financial asset. The calculation of expected credit loss considers the impact of past events and exercises judgement over the impact of current and future economic conditions. The amount of the provision is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

	2017 $m	2016[(a)] $m
Trade receivables	300.4	492.1
Provision for impairment losses	(3.8)	(17.7)
Collateral provided	–	3.1
Other receivables	39.9	76.9
Total trade and other receivables	**336.5**	**554.4**

(a) certain balances have been restated due to management reassessment. Refer to Note 1 for further information.

Collateral provided related to cash collateral in respect of equity derivative positions.

The creation and release of the provision for impaired receivables has been included in other expenses in profit or loss. Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value.

The Group's and the Company's exposure to credit risk is predominately in Australia and China. The Group's exposure to credit risk and impairment losses related to trade receivables is outlined below.

Past due but not impaired

The following trade receivables 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:

	2017 $m	2016 $m
Past due 1–30 days	62.0	68.6
Past due 31–60 days	9.3	14.0
Past due 61–90 days	3.4	14.0
> 91 days	10.6	15.8
Total trade receivables past due but not impaired	**85.3**	**112.4**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017 $m	2016 $m
Balance at beginning of the year	17.7	2.7
Impairment loss recognised in profit or loss	6.7	11.1
Receivables expensed as uncollectable during the year	(1.4)	(2.0)
Impact of transition – AASB 9: Financial Instruments[a]	–	6.2
Transfer to assets held for sale	(18.0)	–
Exchange differences	(1.2)	(0.3)
Balance at end of the year	**3.8**	**17.7**

(a) reflects an opening balance adjustment resulting from the adoption of AASB 9: Financial Instruments (2014).

9. TRADE AND OTHER PAYABLES

Accounting policy

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

	2017 $m	2016[a] $m
Current		
Trade payables	112.8	122.3
Other payables	24.5	58.5
Accruals	132.9	127.6
Cash settled share appreciation rights	3.7	–
Payable to equity accounted investee	14.7	38.6
Total trade and other payables – current	**288.6**	**347.0**
Non-current		
Cash settled share based payments	0.9	0.4
Total other payables – non-current	**0.9**	**0.4**

(a) certain balances have been restated due to management reassessment. Refer to Note 1 for further information.

The Group's trade and other payables (excluding accruals) are due to mature within one year. Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

The Company has entered into a Deed of Cross Guarantee with certain subsidiaries as described in Note 30: Controlled Entities. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event that any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and parties to the Deed are set out in Note 30.

10. INVENTORIES

Accounting policy

Inventories are measured at the lower of cost and net realisable value.

Cost is based on the actual costs, with the exception of exchange component inventory and parts inventory for which cost is based on weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Net realisable value is determined on the basis of the Group's normal selling pattern. Expenses for marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

Critical accounting estimate and judgement

Management is required to make judgements regarding writedowns to determine the net realisable value of inventory. These writedowns consider factors such as the age and condition of goods as well as recent market data to assess the estimated future demand for the goods.

	2017 $m	2016[(a)] $m
Raw materials – at cost	20.0	25.3
Work-in-progress – at cost	56.0	63.3
Finished goods		
– at cost	563.9	664.6
– at net realisable value	14.8	78.1
Total finished goods	578.7	742.7
Total inventories	**654.7**	**831.3**

(a) certain balances have been restated due to management reassessment. Refer to Note 1 for further information.

Work-in-progress includes $11.4 million (2016: $12.0 million) in relation to the development of residential properties at Seven Hills, Western Australia.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Accounting policy

Investments accounted for using the equity method comprise investments in associates and joint ventures (equity accounted investees). Investments in equity accounted investees are initially recognised at cost and subsequently accounted for using the equity method.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence generally exists when the Group holds between 20 and 50 per cent of the voting rights of another entity, unless it can be clearly demonstrated that this is not the case.

Joint ventures are those entities over whose activities the Group has joint control and rights to the net assets of the arrangement, rather than rights to the assets and obligations for its liabilities.

The Group's investments includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post acquisition income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group. Adjustments to the entity's share of the equity accounted investees' profit or loss after acquisition are made in order to account for any reversals of pre-acquisition impairment provisions recognised by the investee. When the Group's share of losses equals or exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Dividends received or receivable from equity accounted investees are recognised as a reduction in the carrying amount of the investment.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in that investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Critical accounting estimate and judgements

Control, joint control or significant influence

Significant judgement and assumptions are made in determining whether an entity has control, joint control or significant influence over another entity and the type of the joint arrangement. In considering the classification, management considers whether control, significant influence or joint control exists, the nature and structure of the relationship and other facts and circumstances.

Beach Energy Limited (Beach Energy)

The Group holds a 22.7 per cent interest in Beach Energy and has classified its investment as an associate from 20 July 2016 following the appointment of Mr R Stokes, SGH Managing Director & Chief Executive Officer, to the board of Beach Energy. The Group now has the ability to significantly influence, but not control or jointly control, the financial and operating decisions of Beach Energy through its investment and board representation. In the prior year, management assessed that the Group did not significantly influence Beach Energy and accordingly the Group's investment was recorded as a financial asset at fair value through other comprehensive income.

Seven West Media Limited (Seven West Media)

The Group has classified its investment in Seven West Media as an associate as the Group, through its 41.0 per cent (2016: 41.0 per cent) ownership interest and equivalent voting rights has the ability to significantly influence, but not control or jointly control the financial and operating policy decisions of Seven West Media. Given the 41.0 per cent ownership interest, management continue to assess that the Group has significant influence, but not control, over Seven West Media. Significant uncertainty exists in determining whether the Group's Key Management Personnel exerts de facto control over the significant operational decisions of Seven West Media. Given the historical level of non-SGH related vote participation at AGMs and its majority independent board (the Group only has 3 out of 10 directors), the Group does not control Seven West Media and is therefore not required to consolidate Seven West Media at 30 June 2017.

Coates Group Holdings Pty Limited (Coates Hire)

National Hire Group Limited (National Hire) a wholly-owned Group subsidiary, and The Carlyle Group (Carlyle) own Coates Group Holdings Pty Limited. Under the investment deed, equal control rights are conferred to 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 per cent, the Group has determined its economic interest to be 46.5 per cent (2016: 46.5 per cent) after considering vesting conditions for options issued under Coates Hire's Management Equity Plan.

Impairment of investments accounted for using the equity method

In accordance with AASB 136: *Impairment of Assets*, the recoverable amount of assets is the greater of its value-in-use and its fair value less cost of disposal. In the absence of quoted market prices, an asset's value-in-use is calculated by estimating the present value of future cash flows using an asset specific discount rate. These calculations also require the use of assumptions regarding profit margins, growth rates and discount rates.

In determining the amount of impairment for equity accounted investees that are listed, management has made judgements in identifying financial assets that are impaired due to industry factors or whose decline in fair value below original cost is considered significant or prolonged. A significant decline is assessed based on the percentage decline from acquisition cost of the share, while a prolonged decline is based on the length of the time over which the share price has been depressed below cost. Management considers a decline of 30 per cent to be significant and a period of 12 months to be prolonged.

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

				OWNERSHIP INTEREST	
Investee	Principal activities	Country of incorporation	Balance date	2017 %	2016 %
Associates					
Beach Energy Limited[(a)]	Oil and gas exploration, development, production	Australia	30 Jun	22.7%	–
Energy Power Systems Australia Pty Ltd	Distribution and rental of CAT engine products	Australia	30 Jun	40.0%	40.0%
Impulse Screen Media Pty Ltd[(b)]	Technology	Australia	30 Jun	28.0%	–
iSeekplant Pty Ltd[(c)]	Online services	Australia	30 Jun	22.8%	10.0%
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[(d)]	Property management	Australia	30 Jun	25.0%	25.0%
Revy Investment Trust[(d)]	Property management	Australia	30 Jun	25.0%	25.0%
Seven West Media Limited	Media	Australia	24 Jun	41.0%	41.0%
Joint ventures					
Coates Group Holdings Pty Limited[(e)]	Rental services	Australia	30 Jun	46.5%	46.5%
Flagship Property Holdings Pty Limited	Property management	Australia	31 Dec	47.3%	47.3%
Kings Square Pty Ltd	Property development	Australia	30 Jun	50.0%	50.0%
Kings Square No. 4 Unit Trust	Property development	Australia	30 Jun	50.0%	50.0%

(a) effective 1 April 2017, the Group's interest in Beach Energy Limited reduced from 22.9 per cent to 22.7 per cent as a result of an increase in Beach Energy's issued shares from their Dividend Reinvestment Plan (DRP). In the prior year, the Group held a 22.9 per cent interest in Beach Energy but did not have the ability to significantly influence Beach Energy.

(b) on 18 November 2016, the Group acquired a 28.0 per cent interest in Impulse Screen Media Pty Limited with a further 6.8 per cent held via related parties.

(c) the Group's investment in iSeekplant Pty Limited (iSeekplant) increased to 22.8 per cent following further investment during the year.

(d) this entity is being deregistered.

(e) the Group has determined its economic interest in Coates Group Holdings Pty Limited to be 46.5 per cent after the vesting of options issued under Coates Hire's Management Equity Plan.

The country of incorporation of the above associates and joint ventures is also their principal place of business.

	2017 $m	2016 $m
Investments in associates		
Beach Energy Limited	335.1	–
Seven West Media Limited	442.4	655.8
Individually immaterial associates	32.6	33.5
Investments in joint ventures		
Coates Group Holdings Pty Limited	300.2	283.0
Individually immaterial joint ventures	26.2	25.7
Total investments accounted for using the equity method	**1,136.5**	**998.0**

Beach Energy is a listed oil and gas exploration, development and production company based in Australia with investments in the resource industry. The Group's investment in Beach Energy is held for strategic purposes and is disclosed within the Energy segment.

Seven West Media is the leading listed national multi-platform media business based in Australia. The Group's investment in Seven West Media is held for strategic purposes and disclosed within the Media investments segment.

Coates Hire is Australia's largest and leading rental company. The Group's investment in Coates Hire is held for strategic purposes and disclosed within the Coates Hire segment.

	2017 $m	2016 $m
Share of investees' net (loss)/profit		
Investments in associates		
Beach Energy Limited	86.3	–
Seven West Media Limited	(305.6)	75.5
Individually immaterial associates[(a)]	19.4	13.9
Investments in joint ventures		
Coates Group Holdings Pty Limited	17.1	(6.0)
Individually immaterial joint ventures	0.5	7.6
Share of net (loss)/profit of equity accounted investees	**(182.3)**	**91.0**

(a) a distribution of $18.8 million (2016: $13.8 million) was received from Revy Investment Trust following the successful settlement of buildings at Jones Bay Wharf, Pyrmont, New South Wales.

	2017 $m	2016 $m
Market values of listed investments accounted for using the equity method		
Beach Energy Limited		
Book value	335.1	–
Market value	244.9	–
Seven West Media Limited		
Book value	442.4	655.8
Market value	442.4	655.8

An impairment reversal of $128.4 million (2016: impairment of $0.4 million) relating to the Group's investment in Seven West Media was recognised in profit or loss during the year.

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 BEACH ENERGY		ASSOCIATE SEVEN WEST MEDIA		JOINT VENTURE COATES HIRE	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Summarised financial information of investees (100%)						
Summarised Statement of Financial Position						
Current assets						
Cash and cash equivalents	348.0	–	69.5	94.8	48.0	15.1
Other current assets	172.0	–	470.7	536.6	171.9	175.8
Total current assets	520.0	–	540.2	631.4	219.9	190.9
Non-current assets						
Goodwill	–	–	0.9	29.7	920.9	920.9
Intangible assets	–	–	1,019.0	1,523.3	100.4	101.3
Other non-current assets	1,371.2	–	247.7	481.3	699.2	809.9
Total non-current assets	1,371.2	–	1,267.6	2,034.3	1,720.5	1,832.1
Current liabilities						
Financial liabilities[a]	1.0	–	36.4	29.0	177.5	144.8
Other current liabilities	123.3	–	364.4	431.0	148.0	151.1
Total current liabilities	124.3	–	400.8	460.0	325.5	295.9
Non-current liabilities						
Financial liabilities[a]	148.5	–	799.6	819.2	909.8	1,043.0
Other non-current liabilities	216.4	–	188.5	134.0	31.5	45.8
Total non-current liabilities	364.9	–	988.1	953.2	941.3	1,088.8
Net assets	**1,402.0**	**–**	**418.9**	**1,252.5**	**673.6**	**638.3**
Group's share(%)	22.7%	–	41.0%	41.0%	46.5%	46.5%
Group's share of net assets	318.3	–	171.7	513.5	313.2	296.8
Share of impairment/(reversal) not recognised as previously impaired	(23.8)	–	571.0	571.0	156.5	156.5
Adjustment to align accounting policies	40.6	–	(18.3)	(18.3)	–	–
Fair value adjustment on acquisition	–	–	–	–	(35.6)	(35.6)
Share of rights issue not taken up	–	–	(125.2)	(125.2)	–	–
Elimination of unrealised profits to equity accounted investee	–	–	–	–	(5.5)	(6.3)
Change in ownership interest	–	–	177.1	177.1	(14.4)	(14.4)
Impairment	–	–	(333.9)	(462.3)	(114.0)	(114.0)
Carrying amount	**335.1**	**–**	**442.4**	**655.8**	**300.2**	**283.0**
Summarised Statement of Comprehensive Income						
Revenue	649.3	–	1,676.0	1,720.5	918.2	873.0
Depreciation and amortisation	(153.8)	–	(45.3)	(45.3)	(165.7)	(169.5)
Impairment reversal/(expense)	108.6	–	(974.8)	–	–	–
Net interest expense	(14.0)	–	(38.6)	(37.8)	(73.8)	(83.1)
Income tax benefit/(expense)	79.8	–	21.0	(63.1)	(14.1)	6.0
Profit/(loss) for the year	387.5	–	(745.0)	184.3	31.7	(17.8)
Other comprehensive income	11.2	–	2.7	(1.9)	–	(3.4)
Total comprehensive income for the year	**398.7**	**–**	**(742.3)**	**182.4**	**31.7**	**(21.2)**
Dividends received by the Group	**6.4**	**–**	**37.1**	**49.5**	**–**	**–**

(a) financial liabilities excluding trade and other payables and provisions.

12. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment is measured at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is capitalised in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance is charged to the profit or loss during the reporting period in which they are incurred.

Freehold land is not depreciated. The cost of improvements to or on leasehold properties is amortised over the shorter of the unexpired period of the lease or the estimated useful life of the improvement to the Group.

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

Buildings	40 years
Leasehold improvements	1 – 25 years
Plant and equipment	2 – 12 years

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

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

	Note	Freehold land and buildings $m	Leasehold improve-ments $m	Plant and equipment $m	Total $m
Movement in property, plant and equipment					
Year ended 30 June 2017					
Carrying amount at beginning of the year		**25.5**	**45.9**	**100.6**	**172.0**
Additions		–	1.3	24.7	26.0
Disposals		–	(0.6)	(24.3)	(24.9)
Depreciation		(0.9)	(3.9)	(13.5)	(18.3)
Exchange differences		(0.4)	(0.1)	(0.4)	(0.9)
Transfer to assets held for sale	31	(6.3)	(0.5)	(10.8)	(17.6)
Other[(a)]		–	0.1	23.5	23.6
Carrying amount at end of the year		**17.9**	**42.2**	**99.8**	**159.9**
At cost		22.2	65.6	240.9	328.7
Accumulated depreciation		(4.3)	(23.4)	(141.1)	(168.8)
Total property, plant and equipment		**17.9**	**42.2**	**99.8**	**159.9**
Year ended 30 June 2016					
Carrying amount at beginning of the year		**41.8**	**48.5**	**126.0**	**216.3**
Additions		–	2.1	6.1	8.2
Disposals		(4.8)	–	(0.3)	(5.1)
Depreciation		(1.0)	(3.9)	(26.3)	(31.2)
Exchange differences		(0.2)	0.1	(0.3)	(0.4)
Other[(a)]		(10.3)	(0.9)	(4.6)	(15.8)
Carrying amount at end of the year		**25.5**	**45.9**	**100.6**	**172.0**
At cost		36.0	72.0	263.9	371.9
Accumulated depreciation		(10.5)	(26.1)	(163.3)	(199.9)
Total property, plant and equipment		**25.5**	**45.9**	**100.6**	**172.0**

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

13. PRODUCING AND DEVELOPMENT ASSETS

Accounting policy

Producing and development assets are carried at historical cost less accumulated depreciation.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within development assets.

Depreciation/amortisation

Producing oil and gas properties are depreciated/amortised on a unit of production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied.

Critical accounting estimates and judgements

Assessment of recoverable amount and key assumptions used

Producing and development asset valuations are based on the expected production profile of reserves and resources and various estimates and assumptions. For the purposes of assessing impairment, the recoverable amount of the cash generating unit (CGU) are based on the fair value less costs of disposal using a discounted cash flow method (DCF). Cash flow projections utilised for fair value less costs of disposal reflect the expected production profile of reserves and resources and cover a period to June 2033 for Longtom and to June 2064 for Bivins Ranch. The post tax discount rates that have been applied range between 8.1 to 10.0 per cent (2016: between 8.1 to 10.0 per cent).

Estimates – reserve quantities

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

Estimates – commodity prices

The Group's best estimate of future commodity prices is made with reference to internally derived forecast data, current spot prices, external market analysts forecast and forward curves. Future commodity price assumptions impact the recoverability of carrying values and are reviewed at least annually.

	2017 $m	2016 $m
Movement in producing and development assets		
Carrying amount at beginning of the year	**214.5**	**208.5**
Additions	5.1	5.9
Depreciation	(2.1)	(3.0)
Exchange differences	(3.6)	3.1
Carrying amount at end of the year	**213.9**	**214.5**
At cost	229.6	228.3
Accumulated depreciation	(15.7)	(13.8)
Total producing and development assets	**213.9**	**214.5**

Joint operation

The Group, through its wholly-owned subsidiary Seven Network (United States) Inc., is party to the Bivins Ranch basin joint operation in Texas, United States of America.

		UNINCORPORATED INTEREST	
Principal activities	Operator of joint operation	2017 %	2016 %
Oil and gas production	Apache Corporation	11.2%	11.2%

Producing and development assets comprise of the Group's operating interests in oil and gas assets located in the United States of America and Australia.

No impairment expense has been recognised in the current or prior year. A sensitivity analysis was performed on the recoverable amount of the Group's Bivins Ranch producing asset based on changes to key assumptions. Any material adverse change in a key assumption may result in an impairment. Sensitivity analysis has been performed by applying the following possible changes in key assumptions:

	Oil / Gas / NGL Prices		Reserves and Resources		Discount Rate	
	+10%	-10%	+10%	-10%	+1%	-1%
Sensitivity analysis						
Bivins Ranch (US$m)	25.3	(22.7)	25.1	(25.3)	(8.1)	9.6

14. EXPLORATION AND EVALUATION ASSETS

Accounting policy

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

Exploration and evaluation assets

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee benefits, materials and fuel used, rig costs and payments made to contractors.

If no potentially commercial hydrocarbons are discovered, the exploration asset is 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 exploration and evaluation asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an exploration and evaluation asset.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through profit or loss. When proved reserves of oil and natural gas are identified, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to producing and development assets. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

The ultimate recoupment of the carrying value of the Group's exploration and evaluation assets is dependent on successful commercial exploitation, or the sale of the respective area of interest.

Critical accounting estimates and judgements

Recoverability of exploration and evaluation assets

Assessment of recoverability of capitalised exploration and evaluation expenditure requires certain estimates and assumptions to be made as to future events and circumstances, particularly in relation to whether economic quantities of reserves have been discovered. Such estimates and assumptions may change as new information becomes available. If concluded that the carrying value of an exploration and evaluation asset is unlikely to be recovered by future exploitation or sale, the relevant amount will be written off to profit or loss.

14. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	2017 $m	2016 $m
Movement in exploration and evaluation assets		
Carrying amount at beginning of the year	**218.0**	**238.5**
Additions	6.4	6.9
Exploration costs expensed	–	(0.3)
Restoration provision	(2.2)	(27.1)
Carrying amount at end of the year	**222.2**	**218.0**
At cost	222.2	218.0
Total exploration and evaluation assets	**222.2**	**218.0**

Exploration and evaluation assets are located in the Browse basin which is north-west of Australia and relate to the Crux AC/RL9 joint operation and the Echuca Shoals WA-377P exploration permit.

Joint operation

The Group, through its wholly-owned subsidiary SGH Energy WA Pty Ltd, is party to the Crux AC/RL9 oil and gas joint operation. The Group has disclosed its interests in the following permits:

			UNINCORPORATED INTEREST	
Petroleum exploration permit/licence	Principal activities	Operator of joint operation	2017 %	2016 %
AC/RL9	Oil and gas exploration	Shell Australia Pty Ltd	15.0%	15.0%

The Group continues to work with Shell Australia Pty Ltd as Operator and fellow Crux AC/RL9 joint venture partners in conducting the necessary technical feasibility studies, as well as evaluating commercialisation and development options for the Crux AC/RL9 asset.

There are no facts or circumstances indicating an impairment of the asset under *AASB 6: Exploration and Evaluation of Mineral Resources* at 30 June 2017.

Contingent liabilities in respect of joint venture operations are detailed in Note 26: Contingent Liabilities. Exploration expenditure commitments and capital commitments in respect of joint venture operations are detailed in Note 27: Commitments.

15. INTANGIBLE ASSETS

Accounting policy

Distribution networks

The distribution networks of the Group are considered by the Directors to be identifiable intangible assets.

The Directors are of the opinion that the distribution networks have an indefinite useful life, and as such the distribution networks are not subject to amortisation but rather are tested annually for impairment or more frequently if events or changes in circumstances indicate impairment. The basis for the classification of indefinite life is that the dealership agreements do not require specific renewal over set intervals thus the distribution rights continue uninterrupted unless a cause to terminate is triggered.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/equity accounted investee at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of equity accounted investees is included in investments accounted for using the equity method.

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

Goodwill is allocated to CGUs (or groups of CGUs) for the purpose of impairment testing. Each of those CGUs (or groups of CGUs) represents the Group's investment in each country of operation by each operating segment.

Impairment of intangible assets

Goodwill and intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less cost of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit or loss.

Change in accounting policy

Following clarification by the IFRS Interpretations Committee with respect to the recognition of deferred tax liabilities for indefinite life intangible assets the Group will now recognise deferred tax on indefinite life intangible assets to reflect the expected manner of recovery of the carrying amount of the asset through use rather than sale.

As a result of the change in accounting policy, deferred tax has been recognised for WesTrac Australia's Caterpillar distribution network and Sitech WA and NSW Loadrite and Lincoln distribution network. The adjustment to the distribution network of $85.0 million was recognised as an opening balance adjustment.

Critical accounting estimates and judgements

Dependency on key suppliers

WesTrac 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. The 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 required to estimate the impact of the loss of key suppliers on future earnings, supporting existing goodwill and intangible assets.

Impairment of intangible assets

In accordance with AASB 136: *Impairment of Assets*, the recoverable amount of assets is the greater of its value-in-use and its fair value less cost of disposal. In the absence of quoted market prices, an asset's value-in-use or fair value less cost of disposal is calculated by estimating the present value of future cash flows using an asset specific discount rate. These calculations also require the use of assumptions regarding profit margins, growth rates and discount rates.

15. INTANGIBLE ASSETS (CONTINUED)

	Note	Distribution network $m	Goodwill $m	Other[a] $m	Total $m
Movement in intangible assets					
Year ended 30 June 2017					
Carrying amount at beginning of the year		**648.3**	**94.2**	**37.4**	**779.9**
Additions		–	–	3.5	3.5
Disposals		–	–	(0.2)	(0.2)
Amortisation		–	–	(3.3)	(3.3)
Transfers		(6.1)	–	6.1	–
Exchange differences		(11.1)	–	–	(11.1)
Transfer to assets held for sale	31	(310.1)	–	(2.0)	(312.1)
Carrying amount at end of the year		**321.0**	**94.2**	**41.5**	**456.7**
At cost		321.0	94.2	51.0	466.2
Accumulated amortisation		–	–	(9.5)	(9.5)
Total intangible assets		**321.0**	**94.2**	**41.5**	**456.7**
Year ended 30 June 2016					
Carrying amount at beginning of the year		**637.6**	**94.2**	**18.7**	**750.5**
Additions		–	–	22.5	22.5
Amortisation		–	–	(3.8)	(3.8)
Exchange differences		10.7	–	–	10.7
Carrying amount at end of the year		**648.3**	**94.2**	**37.4**	**779.9**
At cost		879.8	154.1	91.4	1,125.3
Accumulated impairment		(231.5)	(59.9)	(9.2)	(300.6)
Accumulated amortisation		–	–	(44.8)	(44.8)
Total intangible assets		**648.3**	**94.2**	**37.4**	**779.9**

(a) other includes intellectual property, customer contracts, software and brand names.

Impairment of intangible assets

(a) Impairment tests for goodwill and distribution network

Goodwill and distribution network costs are allocated to the Group's CGUs identified according to the appropriate operating segment.

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

	Distribution network $m	Goodwill $m	Total $m
Year ended 30 June 2017			
WesTrac Australia	321.0	94.2	415.2
Total distribution network and goodwill	**321.0**	**94.2**	**415.2**
Year ended 30 June 2016			
WesTrac Australia	321.0	94.2	415.2
WesTrac China	327.3	–	327.3
Total distribution network and goodwill	**648.3**	**94.2**	**742.5**

WesTrac Australia distribution network and goodwill

The recoverable amount of goodwill and the WesTrac Australia distribution network is determined based on value-in-use calculations. These recoverable amount calculations use discounted cash flow projections based on financial budgets and forecasts approved by management. Cash flow projections utilised for value-in-use financial budgets cover a five year period.

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

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

	2017 Growth rate[a] %	2017 Discount rate (pre-tax)[b] %	2016 Growth rate[a] %	2016 Discount rate (pre-tax)[b] %
Value-in-use				
Caterpillar distribution network – Australia	2.50	13.56	3.00	11.68
Fair value less cost of disposal				
Caterpillar distribution network – China	–	–	4.00	11.59

(a) the weighted average growth rate used to extrapolate cash flows beyond the budget or forecast period.
(b) the discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

16. PROVISIONS

Accounting policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are not recognised for future operating losses.

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

Service warranties	A service warranties provision is made for the estimated liability on products under warranty at balance date. This provision is estimated having regard to service warranty experience. Other warranty costs are accrued as and when the liability arises.
Restoration	A provision for restoration is recognised when there is a legal or constructive obligation to do so. A corresponding restoration asset amount is created equivalent to the amount of the provision. The amount recognised is the estimated cost of restoration, discounted to its net present value. This is reassessed each year in accordance with local conditions and requirements.
Restructuring	A provision for restructuring is recognised when steps have been taken to implement a detailed plan, including discussions with affected personnel, with employee related costs recognised over the period of any required future service.
Onerous contracts	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.

Critical accounting estimates and judgements

Restoration

Management is required to make judgements regarding removal method, future legislation, reclamation activities required, engineering methodology for estimating costs, future removal technologies and discount rates to determine the present value of the cash flows. Changes in the estimates of restoration cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the restoration asset.

16. PROVISIONS (CONTINUED)

	Note	Service warranties $m	Restoration $m	Other $m	Total $m
Movement in provisions					
Year ended 30 June 2017					
Balance at beginning of the year		**24.5**	**50.1**	**24.7**	**99.3**
Amounts provided for		9.5	–	20.4	29.9
Amounts used		(8.7)	–	(4.3)	(13.0)
Write-back of provision		–	(2.2)	(2.9)	(5.1)
Exchange differences		(1.0)	–	(0.1)	(1.1)
Unwind of discount		–	2.5	–	2.5
Transfer to liabilities held for sale	31	(5.5)	–	(2.9)	(8.4)
Balance at end of the year		**18.8**	**50.4**	**34.9**	**104.1**
Current		18.8	0.1	21.1	40.0
Non-current		–	50.3	13.8	64.1
Total provisions		**18.8**	**50.4**	**34.9**	**104.1**
Year ended 30 June 2016					
Balance at beginning of the year		**31.1**	**74.9**	**25.2**	**131.2**
Amounts provided for		9.7	–	11.4	21.1
Amounts used		(13.7)	–	(14.1)	(27.8)
Writeback of provision		–	(27.1)	–	(27.1)
Exchange differences		(0.4)	(0.1)	–	(0.5)
Transfer		(2.2)	–	2.2	–
Unwind of discount		–	2.4	–	2.4
Balance at end of the year		**24.5**	**50.1**	**24.7**	**99.3**
Current		24.5	2.1	21.9	48.5
Non-current		–	48.0	2.8	50.8
Total provisions		**24.5**	**50.1**	**24.7**	**99.3**

Nature and purpose of provisions

Service warranties	Service warranties provision relate to the estimated warranty claims in respect of products sold which are still under warranty at balance date. These claims are expected to be settled in the next financial year but this may be extended into the following year if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective.
Restoration	A provision for site restoration relates to the Group's estimated present value of costs relating to future site restoration, removal and rehabilitation activities, primarily in the Energy segment.
Other	Other provisions include amounts that have been provided for in relation to restructuring and redundancies, workers' compensation claims, maintenance and repair contracts, legal claims, onerous contracts and make-good obligations.

17. EMPLOYEE BENEFITS

Accounting policy

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 12 months.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in provisions in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

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

Superannuation

The Group contributes to a superannuation fund which provides accumulated contribution plans. Contributions are charged against the profit or loss in the period to which they relate.

Share based payments

The fair value of options granted under the Company's cash-settled option plan is recognised as an employee benefit expense with a corresponding increase in liability. The expense and the liability incurred are measured at the fair value of the liability.

The fair value at grant date is independently determined using Black-Scholes and Binomial option pricing models that take into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity remeasures the fair value of the options, with any changes in value recognised in the profit or loss as a finance cost.

The fair value of equity-based entitlements settled in equity instruments is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is estimated at grant date and recognised over the period during which the employees become unconditionally entitled to the equity instrument.

The amount recognised as an expense is adjusted to reflect the actual number of entitlements that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

	2017 $m	2016 $m
Current		
Annual leave	24.5	25.5
Long service leave	13.3	11.3
Total employee benefits – current	**37.8**	**36.8**
Non-current		
Long service leave	12.8	11.7
Other	–	0.8
Total employee benefits – non-current	**12.8**	**12.5**

Superannuation contributions

The Group makes contributions on behalf of employees to a defined contribution superannuation fund. The amount recognised as an expense was $28.9 million (2016: $30.9 million) for the year ended 30 June 2017.

18. CASH AND CASH EQUIVALENTS

Accounting policy

Bank balances includes cash on hand and deposits held at call with financial institutions. Call deposits include other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	Note	2017 $m	2016 $m
Bank balances		148.7	232.2
Call deposits		100.6	134.6
Cash and cash equivalents		**249.3**	**366.8**
Cash and cash equivalents included in assets held for sale	31	(76.8)	–
Total cash and cash equivalents		**172.5**	**366.8**

19. NOTES TO THE CASH FLOW STATEMENT

	2017 $m	2016 $m
Reconciliation of profit for the year to net cash flows related to operating activities		
Profit for the year	**46.2**	**197.8**
Income tax expense	33.1	19.2
Income taxes (paid)/refunded	(13.2)	4.3
Income tax funding paid to equity accounted investee	–	(7.2)
Depreciation and amortisation:		
Property, plant and equipment	28.2	31.2
Producing and development assets	2.1	3.0
Intangible assets	3.3	3.8
Loss/(gain) on sale of property, plant and equipment	1.7	(0.5)
Gain on sale of investments and equity accounted investees	(1.9)	(7.9)
Loss on sale of investments and derivative financial instruments	4.0	9.1
(Impairment reversal)/impairment of equity accounted investees	(128.4)	0.4
Fair value movement of derivatives	(4.0)	(5.2)
Share of results from equity accounted investees	182.3	(91.0)
Dividends received from equity accounted investees	66.3	73.8
Other	1.9	(2.3)
Movement in:		
Trade and other receivables	65.8	(78.2)
Inventories	14.8	115.7
Other assets	6.7	12.8
Trade and other payables/deferred income	(27.6)	36.5
Provisions	14.5	(0.9)
Net operating cash flows	**295.8**	**314.4**
Non cash investing and financing activities		
Acquisition of equity accounted investees – dividend reinvestment plan	2.5	–
Total non cash investing and financing activities	**2.5**	**–**

This Note reflects adjustments for continuing and discontinued operations including movements in balance sheet accounts prior to being reclassified as held for sale.

20. INTEREST BEARING LOANS AND BORROWINGS

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities which are not incremental costs relating to the actual draw down of the facility, are recognised on a net basis against borrowings and amortised on a straight line basis over the term of the facility.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or any liabilities assumed, is recognised in other income or expenses.

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

	2017 $m	2016 $m
Current		
Interest bearing liabilities	0.6	37.7
Non-interest bearing liabilities	40.0	80.0
Fixed term US dollar notes	–	101.0
Finance lease liabilities	0.1	1.4
Total interest bearing loans and borrowings – current	**40.7**	**220.1**
Non-current		
Interest bearing liabilities	816.0	869.6
Fixed term US dollar notes	627.3	648.1
Less: capitalised borrowing costs net of accumulated amortisation	(3.6)	(4.1)
Finance lease liabilities	0.2	0.6
Total interest bearing loans and borrowings – non-current	**1,439.9**	**1,514.2**

The current interest bearing liabilities of $0.6 million (2016: $37.7 million) relate to the Group's working capital facilities. These liabilities are drawn from rolling short dated facilities within Australia of $295.6 million (2016: $288.7 million) and are generally reviewed annually. These liabilities are unsecured.

At 30 June 2017, the Group had available undrawn borrowing facilities of $810.0 million (2016: $954.9 million) and also had access to unutilised short dated lines of credit totalling $4.2 million (2016: $184.6 million).

Included in non-current interest bearing liabilities are amounts drawn from the Group's corporate syndicated loan facility and the facility with Caterpillar Financial Australia Limited. The corporate syndicated loan facility is non-amortising, unsecured and supported by guarantees by the Company and certain subsidiaries within the Group. The corporate syndicated facility has a limit of $900.0 million until February 2019 and then $850.0 million until 16 February 2020. The Company's $431.0 million facility with Caterpillar Financial Australia Limited matures on 15 July 2021 and is non-amortising and unsecured.

The Group's interest bearing liabilities (including derivatives) had a weighted average interest rate of 5.59% (2016: 6.05%) for the year ended 30 June 2017, including margins and unused line fees.

Lease liabilities are effectively secured as the rights to the assets revert to the financier in the event of default.

Details of the fair values of each of the borrowings as well as the Group's exposure to interest rate, foreign currency and liquidity risk related to interest bearing loans and borrowings is disclosed in Note 21: Financial Risk Management.

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Fixed term US dollar notes (continued)

The US Private Placement notes are unsecured and are hedged by a combination of forward foreign exchange and cross currency swaps. The Group has issued notes denominated in US currency of USD $445.0 million (2016: USD $520.0 million). Series E (2011) was issued and is repayable in AUD. Interest is payable half yearly in arrears.

The amount and maturity of the notes, including the effective hedge position, is summarised below.

Notes	Agreement	2017 Amount USD $m	2017 Spot amount AUD $m	2016 Amount USD $m	2016 Spot amount AUD $m	Hedged amount AUD $m	Interest rate (incl. margin) %	Maturity date
Series B	2006	–	–	75.0	101.0	–	7.48%	23 Aug 16
Series C	2006	55.0	71.5	55.0	74.1	80.3	7.50%	23 Aug 18
Series D	2006	30.0	39.0	30.0	40.4	43.9	7.53%	23 Aug 20
Series E	2006	85.0	110.5	85.0	114.4	125.2	7.56%	23 Aug 21
Series A	2011	45.0	58.5	45.0	60.6	43.8	3.73%	7 Jun 23
Series B	2011	55.0	71.5	55.0	74.1	53.6	4.00%	7 Jul 23
Series C	2011	75.0	97.5	75.0	101.0	73.1	3.78%	7 Jun 26
Series D	2011	100.0	130.0	100.0	134.7	97.4	3.98%	7 Jul 26
Series E	2011	–	48.8	–	48.8	48.8	7.96%	7 Jul 41
		445.0	**627.3**	**520.0**	**749.1**	**566.1**		

21. FINANCIAL RISK MANAGEMENT

Overview

Risk management policies are established to identify and demonstrate that the Group understands and manages risk and seeks to ensure that there is consistency to the methods used in assessing, monitoring and communicating risks and that risk management efforts are aligned with the Group's strategic and business objectives.

The Group has exposure to the following risks through the normal course of its operations and from its use of financial instruments:

(a) Market risk

(b) Liquidity risk

(c) Credit risk

The following presents information, both qualitative and quantitative, about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Board has established a sound system of risk oversight and management and internal control which includes the establishment of the Audit & Risk Committee (Committee). The Committee has been constituted with the function of assisting the Board to ensure that its corporate governance and oversight responsibilities are fulfilled in relation to risk management and compliance with applicable laws and regulations.

The 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	2017 $m	2016 $m
Financial assets/(liabilities)			
Cash and cash equivalents	18	172.5	366.8
Financial assets/(liabilities) carried at amortised cost			
Trade and other receivables	8	341.4	554.4
Trade and other payables (excluding accruals)	9	(156.6)	(219.8)
Fixed term US dollar notes	20	(627.3)	(749.1)
Interest bearing loans and borrowings	20	(856.6)	(987.3)
Financial assets carried at fair value through other comprehensive income			
Listed equity securities (excluding derivatives)	22	502.2	892.4
Unlisted equity securities	22	96.6	82.2
Derivative financial instruments designated and effective and carried at fair value through profit or loss and other comprehensive income			
Derivative financial assets	23	133.8	186.1
Derivative financial liabilities	23	(74.5)	(25.2)
Total financial assets and financial liabilities		**(468.5)**	**100.5**

(a) Market risk

The Group is exposed to market risk through foreign exchange, interest rate, equity price and commodity price risk.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group is exposed to fluctuations in foreign currency, predominantly in United States Dollar (USD).

The Group will seek to minimise exposure to foreign exchange risk by initially seeking contracts effectively denominated in AUD where possible. Where this is not possible the Group will manage foreign exchange risk as follows:

- in certain circumstances the Group invoices customers in USD. Where the Group invoices in USD it may seek to match the USD receipt with USD denominated vendor payments. As a result, an economic hedge is created by minimising exposure to changes in the AUD/USD exchange rate. Payments and receipts are made from and to the Group's USD denominated bank account.
- external forward contracts and options are used to manage foreign exchange risk. Contracts are entered into on a transaction by transaction basis to hedge specific purchases, sales and borrowings.

The Group's foreign exchange risk from recognised assets and liabilities arises primarily from WesTrac's long-term USD denominated borrowings (refer to Note 20: Interest Bearing Loans and Borrowings). The Group effectively hedges its long-term foreign denominated borrowings using a combination of designated forward exchange contracts and cross currency swaps. At times, the Company may choose to hold cash positions in USD to hedge against anticipated weakening in the AUD.

The financial statements for foreign group companies that have a functional currency different from Australian Dollars are translated into Australian Dollars on consolidation in accordance with Note 1(C): Foreign Currency Translation. Exchange differences arising from the translation are taken to reserves and as such the individual account balances of these Group companies are excluded from the following table.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Excluding assets and liabilities for foreign Group entities translated in accordance with Note 1, the Group's exposure to foreign currency risk was as follows, based on notional amounts:

	2017 USD $m	2016 USD $m
Foreign currency risk		
Cash and cash equivalents	112.4	145.4
Trade and other receivables	8.8	18.3
Trade and other payables	(3.7)	(28.1)
Borrowings	(445.0)	(520.0)
Unlisted equity securities	74.3	61.0
Derivative financial instruments	82.8	135.3
Closing exchange rates[(a)]	0.7692	0.7426

(a) closing rate per the Reserve Bank of Australia at 4pm (AEST).

Sensitivity analysis

A foreign currency sensitivity of +/- 5 per cent has been selected and is considered reasonable given the historical AUD/USD exchange rates prevailing in the year ended 30 June 2017. During the year, the average AUD/USD exchange rate was 0.7545 (2016: 0.7283) and traded within a range of 0.7202 to 0.7724 (2016: 0.6867 to 0.7812). As at 30 June 2017 the closing AUD/USD exchange rate, as reported by the Reserve Bank of Australia, was 0.7692 (2016: 0.7426).

At 30 June 2017, had the AUD/USD exchange rate moved by 5.0 per cent, with all other variables held constant, post tax profit/(loss) and equity would have been affected as illustrated in the table below:

	2017 Profit/(loss) $m	2017 Equity $m	2016 Profit/(loss) $m	2016 Equity $m
Judgement of reasonably possible movements				
AUD to USD +5%	(9.1)	(5.9)	(4.6)	(3.1)
AUD to USD -5%	11.1	7.7	5.6	4.0

A sensitivity of 5.0 per cent is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movements.

Adverse versus favourable movements are determined relative to the net underlying exposure. An adverse movement in exchange rates implies an increase in the Group's foreign currency exposure leading to deterioration in the Group's financial position. A favourable movement in exchange rates implies a decrease in the Group's foreign currency exposure and an improvement in the Group's financial position.

The Group's exposure to other foreign exchange movements is not material.

(ii) Interest rate risk

The Group's exposure to interest rate risk arises from AUD cash deposits and short to medium term borrowings which are at variable interest rates in AUD. Generally, long-term fixed rate borrowings are obtained in the USA and Australia, while shorter term variable borrowings are denominated in 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 to fix interest rate exposure.

As at 30 June 2017, 60 per cent (2016: 59 per cent) of the Group's total borrowings were subject to fixed interest rates or were effectively hedged with derivative financial instruments.

At 30 June 2017, the Group had the following mix of financial assets and liabilities exposed to Australian and United States variable interest rate risk.

	2017 $m	2016 $m
Financial assets		
Cash and cash equivalents	172.5	232.1
	172.5	**232.1**
Financial liabilities		
Interest bearing liabilities	(653.1)	(711.8)
	(653.1)	**(711.8)**

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 1.0 per cent (100 basis points) higher or lower for the year, with all other variables held constant.

	2017 Profit/(loss) $m	2017 Equity $m	2016 Profit/(loss) $m	2016 Equity $m
If interest rates were 1% (100 basis points) higher with all other variables held constant – increase/(decrease)	(1.5)	4.0	(3.4)	–
If interest rates were 1% (100 basis points) lower with all other variables held constant – increase/(decrease)	1.5	(4.0)	3.4	–

(iii) Equity price risk

Equity price risk refers to the risk that the value of a financial instrument or its associated cash flows will fluctuate due to changes in the underlying share prices.

The Group has exposure to equity price risk arising from its portfolio of listed equity securities. The Group utilises derivatives to hedge this exposure as well as to gain economic exposure to equity securities.

The Group may also be exposed to equity price risk through its holdings of listed investments accounted for using the equity method and as part of the Group's impairment assessment process.

The following table shows the impact on the profit or loss and equity of the Group if equity prices at balance date had been 15.0 per cent higher or lower, with all other variables held constant. A sensitivity of 15.0 per cent is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movement.

	2017 Profit/(loss) $m	2017 Equity $m	2016 Profit/(loss) $m	2016 Equity $m
If share prices were 15% higher with all other variables held constant – increase/(decrease)	(2.0)	52.7	0.4	93.7
If share prices were 15% lower with all other variables held constant – increase/(decrease)	(0.1)	(52.7)	(0.5)	(93.7)

(iv) Commodity price risk

The Group has an operating interest in oil and gas assets located in Australia and the United States of America. These investments expose the Group to commodity price risk from fluctuations in the prices of oil, natural gas and other condensates and natural gas liquids (NGLs). The Group does not currently hedge its exposure to commodity price risk.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to meet its financial commitments as and when they fall due.

The Group employs a prudent liquidity risk management approach. This involves maintaining a large amount of liquid reserves (cash deposits, listed shares and available credit lines) that can be drawn or sold at short notice to meet the Group's financial commitments. Management monitors the Group's ongoing cash flow requirements on a daily basis.

Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping credit lines available.

The Group's foreign exchange risk arises primarily from:

- borrowings denominated in a foreign currency; and
- firm commitments of highly probable forecast transactions for receipts and payments settled in foreign currency.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	2017 $m	2016 $m
Floating rate		
Expiring within one year	295.0	492.9
Expiring beyond one year	515.0	462.0
	810.0	**954.9**
Additional liquidity		
Cash and cash equivalents	172.5	366.8
Financial assets carried at fair value through other comprehensive income – listed equity securities	502.2	892.4
Unutilised short dated lines of credit	4.2	184.6
	678.9	**1,443.8**

Subject to continued compliance with facility terms, the facilities may be drawn at any time. The average maturity for drawn facilities is 5.0 years (2016: 5.3 years) and 1.5 years (2016: 2.0 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 are the contracted undiscounted cash flows.

	Within 1 year $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m	Total contractual cash flows $m	Carrying amount $m
Year ended 30 June 2017						
Trade and other payables (excluding accruals)	156.6	–	–	–	156.6	156.6
Borrowings – variable rate						
– principal (including derivative)	–	0.2	385.0	267.9	653.1	656.7
– coupon interest and derivative	27.2	27.2	40.9	32.0	127.3	(1.3)
Borrowings – fixed rate						
– principal (including derivative)	40.1	80.4	600.0	48.8	769.3	761.9
– coupon interest and derivative	42.9	42.9	67.7	19.2	172.7	2.9
	266.8	**150.7**	**1,093.6**	**367.9**	**1,879.0**	**1,576.8**
Year ended 30 June 2016						
Trade and other payables (excluding accruals)	219.8	–	–	–	219.8	219.8
Borrowings – variable rate						
– principal (including derivative)	7.1	0.4	434.0	167.9	609.4	529.8
– coupon interest and derivative	26.6	26.6	52.5	39.9	145.6	–
Borrowings – fixed rate						
– principal (including derivative)	220.7	0.1	124.3	705.6	1,050.7	1,038.5
– coupon interest and derivative	51.7	47.0	127.5	89.7	315.9	0.6
	525.9	**74.1**	**738.3**	**1,003.1**	**2,341.4**	**1,788.7**

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables, cash and cash equivalents and investment securities.

The Group's maximum exposure to credit risk at the reporting date was:

	Note	2017 $m	2016 $m
Cash and cash equivalents	18	172.5	366.8
Trade and other receivables	8	341.4	554.4
Listed equity securities (excluding derivatives)	22	502.2	892.4
Unlisted equity securities	22	96.6	82.2
Derivative financial instruments	23	133.8	186.1
		1,246.5	**2,081.9**

In certain circumstances the Group enters into guarantees as part of ordinary trading operations. These guarantees are included within financial guarantees in Note 26: Contingent Liabilities.

(d) Fair value measurements

Financial instruments measured at fair value

The fair value of:

- financial instruments traded in active markets are based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the Group are the closing bid prices for the assets. The Group has elected that the fair value adjustments on the Group's existing listed and unlisted equity securities will be recorded in other comprehensive income and not subsequently reclassified to profit or loss.
- forward foreign exchange contracts are determined using quoted forward exchange rates at the reporting date.
- interest rate swaps and cross currency interest rate swaps are calculated using the present value of the estimated future cash flows of these instruments.
- equity derivatives are calculated based on the closing bid price of the underlying equities.

Financial instruments not measured at fair value

The interest rates used to discount estimated cash flows relating to the fixed term US dollar notes were 2.5 to 5.2 per cent (2016: 1.8 to 5.1 per cent) and are based on the government yield curve at the reporting date plus an adequate credit spread.

The interest rate used to discount estimated cash flows relating to other borrowings was 5.9 per cent (2016: 5.5 per cent).

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – fair value is estimated using quoted prices in active markets.

Level 2 – fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3 – fair value is estimated using inputs for the asset or liability that are not based on observable market data.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements (continued)

	Note	Level in fair value hierarchy	2017 Carrying amount $m	2017 Fair value $m	2016 Carrying amount $m	2016 Fair value $m
Financial assets measured at fair value						
Listed equity securities (excluding derivatives)	22	1	502.2	502.2	892.4	892.4
Unlisted equity securities	22	3	96.6	96.6	82.2	82.2
Forward foreign exchange contracts – used for hedging	23	2	0.3	0.3	0.7	0.7
Cross currency swaps – used for hedging	23	2	132.2	132.2	184.4	184.4
Interest rate collars – used for hedging	23	2	1.3	1.3	–	–
Equity derivatives	23	2	–	–	1.0	1.0
			732.6	**732.6**	**1,160.7**	**1,160.7**
Financial assets not measured at fair value						
Cash and cash equivalents	18	–	172.5	172.5	366.8	366.8
Trade and other receivables	8	–	341.4	341.4	554.4	554.4
			513.9	**513.9**	**921.2**	**921.2**
Financial liabilities measured at fair value						
Forward foreign exchange contracts – used for hedging	23	2	25.0	25.0	17.7	17.7
Cross currency swaps – used for hedging	23	2	48.6	48.6	2.1	2.1
Interest rate swaps – used for hedging	23	2	–	–	1.5	1.5
Equity derivatives	23	2	0.9	0.9	3.9	3.9
			74.5	**74.5**	**25.2**	**25.2**
Financial liabilities not measured at fair value						
Trade and other payables (excluding accruals)	9	–	156.6	156.6	219.8	219.8
Fixed term US dollar notes	20	2	627.3	740.5	749.1	831.9
Other borrowings	20	2	853.3	853.3	985.2	985.2
			1,637.2	**1,750.4**	**1,954.1**	**2,036.9**

There were no transfers between the fair value hierarchy levels during the year ended 30 June 2017.

Valuation techniques – Level 3

Unlisted equity securities

Unlisted equity securities comprise of the Group's investment in an unlisted investment fund (investment fund), which is accounted for as a financial asset measured at fair value through other comprehensive income. Whilst this investment fund invests in both foreign listed and unlisted equity securities, the investment is not quoted in an active market and accordingly the fair value of this investment is included within Level 3 of the hierarchy.

Audited information is obtained from the investment fund regarding the fair value of the investment. The Group recognises any movement in the fair value of the investment in equity through the fair value reserve. The methodology followed by the investment fund in fair valuing its underlying investments is outlined below.

Under the market based method, the investment fund's manager determines comparable public companies (peers) based on industry size, leverage and strategy and calculates an appropriate trading multiple for each comparable company identified. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value.

In the prior year, the investment fund used a market based valuation technique and the discounted cash flow (DCF) method, to calculate the fair value of its underlying positions. Under the DCF method, the investment's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the investment's life including estimated income and terminal value.

This involves the projection of a series of cash flows and to this an appropriate, market derived discount rate is applied to establish the present value of the income stream.

Valuation process for Level 3 valuations

The valuation of unlisted equity is performed on a quarterly basis by the investment fund's manager and reviewed by their investment committee. The valuations are also subject to quality assurance procedures performed within the investment fund.

The investment fund manager verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the fund's investment committee.

The fund's investment committee considers the appropriateness of the valuation methods and inputs, and may request that alternate valuation methods are applied to support the valuations arising from the method chosen. Any changes in valuation methods are discussed and agreed with the investment partners.

The investment fund presents the valuation results on a quarterly basis to the Group. The report includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with fair value changes outside of the relevant thresholds set out above. The Group's investment committee regularly reviews this information and assesses the performance of the Group's investment.

Quantitative information on significant unobservable inputs – Level 3

Description	Valuation technique	Unobservable input	2017 Range	2016 Range
Unlisted equity investments	P/E multiple	Average P/E multiple of peers	31.9x	22.9x
		Discount for lack of liquidity	20%	25%
	EV/sales multiple	Average price/sales multiple of peers	1.5x-5.1x	7.28x
		Discount for lack of liquidity	20-25%	25%

Reconciliation – Level 3

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3.

	2017 $m	2016 $m
Balance at the beginning of the year	82.2	43.3
Contributions, net of capital returns	17.2	11.3
Fair value (losses)/gains	(2.8)	27.6
Balance at the end of the year	**96.6**	**82.2**

(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.

21. 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 $m	Related financial instruments that are not offset $m	Net amount $m
Year ended 30 June 2017			
Financial assets			
Forward foreign exchange contracts – used for hedging	0.3	0.2	0.1
Cross currency swaps – used for hedging	132.2	72.6	59.6
Interest rate derivatives – used for hedging	1.3	1.3	–
	133.8	**74.1**	**59.7**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	25.0	25.0	–
Cross currency swaps – used for hedging	48.6	48.6	–
Equity derivatives	0.9	0.4	0.5
	74.5	**74.0**	**0.5**
Year ended 30 June 2016			
Financial assets			
Forward foreign exchange contracts – used for hedging	0.7	–	0.7
Cross currency swaps – used for hedging	184.4	14.4	170.0
Equity derivatives	1.0	0.9	0.1
	186.1	**15.3**	**170.8**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	17.7	–	17.7
Cross currency swaps – used for hedging	2.1	–	2.1
Interest rate swaps – used for hedging	1.5	–	1.5
Equity derivatives	3.9	6.8	(2.9)
	25.2	**6.8**	**18.4**

(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 25: Dividends for details of dividends paid and proposed but not provided for during the current year.

22. OTHER FINANCIAL ASSETS

Accounting policy

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (FVTOCI) and amortised cost financial assets. The classification depends on the Group's business model for managing the financial asset as well as its contractual cash flow characteristics.

Management determines the classification of its investments at initial recognition. In the case of financial assets classified as FVTOCI, this designation is irrevocable.

Financial assets at fair value through other comprehensive income

The Group's existing listed and unlisted equity securities have been designated as financial assets at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets held for trading which are acquired principally for the purpose of selling with the intention of making a profit or financial assets that are managed and have their performance regularly evaluated by management and the directors on a fair value basis. Derivatives are also categorised as held for trading unless they are designated as hedges.

Recognition and de-recognition

Regular purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Financial assets at fair value through profit or loss and financial assets at FVTOCI are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category, are presented in the profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets is recognised in the profit or loss as other income.

Gains or losses arising from changes in the value of financial assets at FVTOCI category are taken to the fair value through OCI reserve. In accordance with AASB 9, any gain or losses realised on the sale of these assets remain in the fair value reserve rather than being transferred to the profit or loss.

	2017 $m	2016 $m
Non-current		
Listed equity securities	502.2	892.4
Unlisted equity securities	96.6	82.2
Total other financial assets – non-current	**598.8**	**974.6**

Listed equity securities are designated as financial assets at FVTOCI in accordance with the Group's accounting policies. The carrying amounts are determined based on their quoted market price at 30 June 2017. Unlisted equity securities comprise of the Group's investments in an unlisted private equity media investment fund (refer also to Note 21).

Dividends totalling $32.8 million (2016: $36.8 million) were received from the Group's financial assets at FVTOCI. Net losses of $30.6 million (2016: $2.4 million) relating to disposals of listed equity securities were realised during the year. These losses remain in the fair value through OCI reserve.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance expenses, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedges

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

Amounts accumulated in other comprehensive income are recycled in the profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance expenses. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within sales. However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as a cost of goods sold in the case of inventory, or as depreciation in the case of property, plant and equipment.

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

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

	2017 $m	2016 $m
Current assets		
Forward foreign exchange contracts – cash flow hedges	0.3	0.7
Other derivatives	–	1.0
	0.3	1.7
Non-current assets		
Cross currency swaps – cash flow hedges	132.2	184.4
Other derivatives – cash flow hedges	1.3	–
	133.5	184.4
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	(1.5)	(12.5)
Other derivatives	(0.9)	(3.9)
	(2.4)	(16.4)
Non-current liabilities		
Forward foreign exchange contracts and cross currency swaps – cash flow hedges	(23.5)	(8.8)
Cross currency interest rate swaps – fair value adjustment	(48.6)	–
	(72.1)	(8.8)
Net derivative financial instruments	**59.3**	**160.9**

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 in accordance with the Group's financial risk management policies. Refer to Note 21: Financial Risk Management. The Group also enters into equity derivatives from time to time to hedge the value of listed investments or to gain exposure to certain market sectors.

Interest rate swaps

The Group's policy is to hedge a portion of its interest bearing liabilities from exposure to changes in interest rates.

The gain or loss from remeasuring the hedging instruments to fair value is deferred in equity in the hedge reserve and reclassified into profit and loss when the hedged interest expense is recognised. To the extent that the hedge is ineffective or undesignated, the fair value movement is recognised as fair value through profit or loss.

Forward foreign exchange contracts

The Group has entered into forward foreign currency exchange contracts to hedge the USD denominated debt in conjunction with cross currency swaps. The Group has obligations to repay the principal amount of USD denominated debt and interest thereon. The Group's USD denominated debt and coupon obligations are hedged with foreign exchange derivatives.

The Group from time to time also enters into forward foreign exchange contracts to hedge certain known trading commitments predominantly denominated in US Dollars. The terms of these commitments are generally shorter than one year.

Cross currency swaps

The Group has obligations to repay the principal and interest relating to USD denominated debt. The Group enters into cross currency swap contracts to hedge these obligations.

Other derivatives

Other derivatives comprise equity derivatives. The Group enters into equity derivatives from time to time to hedge the value of listed investments or to gain exposure to certain market sectors.

At 30 June 2017, the Group held various types of derivative financial instruments that were designated as cash flow hedges of future forecast transactions. These were hedging of:

- future foreign currency operational payments by exchange derivative contracts (forwards)
- future foreign currency principal and coupon payments by exchange derivative contracts (forwards, swaps)
- future interest payments by interest rate derivative contracts (swaps).

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The effective portion of the cumulative net change in the value of derivative financial instruments designated as a cash flow hedge are included in the hedge reserve. The periods in which the related cash flows are expected to occur are summarised below.

	Within 1 year $m	Between 1 to 5 years $m	Over 5 years $m	Total $m
Contracts to hedge				
Year ended 30 June 2017				
Future operational (sales and purchases)	(0.2)	–	–	(0.2)
Future principal and interest on borrowings	(1.0)	(23.5)	84.5	60.0
Total net (loss)/gain included in the hedge reserve	**(1.2)**	**(23.5)**	**84.5**	**59.8**
Year ended 30 June 2016				
Future operational (sales and purchases)	0.3	–	–	0.3
Future principal and interest on borrowings	(9.5)	(4.5)	180.0	166.0
Total net (loss)/gain included in the hedge reserve	**(9.2)**	**(4.5)**	**180.0**	**166.3**

Hedge accounting

	Notional amount of hedging instrument and hedged item $m	Hedge rates	Carrying amount		Change in value of hedging instrument $m	Change in value of hedged item $m	Hedge ineffective-ness recognised in profit or loss $m	Amount reclassified from hedge reserve to profit or loss $m
			Assets $m	Liabilities $m				
Year ended 30 June 2017								
Cash flow hedges								
Future operational (sales and purchases) – up to 12 months	AUD 43.0	AUD/USD 0.7415–0.7701	0.3	(0.5)	(0.2)	(0.2)	–	–
Future principal and interest on USPP – up to 10 years (foreign exchange contracts)	AUD 301.1	AUD/USD 0.6793–0.7215	–	(24.5)	(24.4)	(25.4)	–	(0.5)
Future principal and interest on USPP – up to 10 years (cross currency swaps)	AUD 349.8	AUD/USD 1.03	132.3	–	132.3	139.9	–	8.9
Future interest on floating rate debt – up to 1 month	AUD 100	Collar (1.5%–2.25%)	0.9	–	–	–	–	–
Future interest on floating rate debt – up to 1 month	AUD 50	Collar (1.57%–2.5%)	0.4	–	–	–	–	–
Fair value hedge								
Future principal and interest on USPP – up to 10 years (cross currency swaps)	AUD 267.9	AUD/USD 1.03	–	(48.6)	(48.6)	(48.6)	(1.2)	–

24. CAPITAL AND RESERVES

CAPITAL

Accounting policy

Contributed equity

Ordinary shares, redeemable preference shares, non-share equity and other equity securities are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in other comprehensive income and presented as contributed equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs is recognised as a deduction from equity.

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.

Treasury shares

Treasury shares consist of shares held in trust for the Group's executives in relation to employee equity benefits.

	2017 $m	2016 $m
Contributed equity		
281,240,870 ordinary shares, fully paid (2016: 281,240,870)	2,046.0	2,046.0
4,963,640 TELYS4 preference shares, fully paid (2016: 4,963,640)	427.2	427.2
44,720 treasury shares, fully paid (2016: 77,544)	(0.3)	(0.5)
Balance at end of the year	**2,472.9**	**2,472.7**
Movements in ordinary shares		
Balance at beginning of year	2,046.0	2,118.1
On-market share buy-back and cancellation of shares	–	(72.1)
Balance at end of the year	**2,046.0**	**2,046.0**
Movements in preference shares – TELYS4		
Balance at beginning of year	427.2	427.2
Balance at end of the year	**427.2**	**427.2**
Movements in treasury shares		
Balance at beginning of year	(0.5)	(0.7)
Shares vested and transferred to employee	0.3	0.2
On-market share acquisition	(0.1)	–
Balance at end of the year	**(0.3)**	**(0.5)**

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.

No shares have been bought back under the current on-market buy back of either ordinary or TELYS4 shares.

TELYS4 holders are entitled to a preferential non-cumulative floating rate dividend, which is based on a 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.

During the year ended 30 June 2017, there were nil options exercised, cancelled or forfeited (2016: nil options exercised, cancelled or forfeited).

24. CAPITAL AND RESERVES (CONTINUED)

RESERVES

Nature and purpose of reserves

Acquisitions reserve	The acquisitions reserve is used to record the difference between the fair value of consideration paid for the non-controlling interest of subsidiaries, and the book value of those subsidiaries' share of net assets at date of acquisition.
Employee equity benefits reserve	The employee equity benefits reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration.
Common control reserve	The acquisition of WesTrac Group by the Company during the period ended 30 June 2010 was accounted for as a common control transaction. As a consequence, the difference between the fair value of the consideration paid and the existing book values of assets and liabilities of the WesTrac Group was debited to a common control reserve.
Hedge reserve	The hedge reserve records the effective portion of the cumulative net change in fair value of hedging instruments related to cash flow hedged transactions that have not yet occurred.
Fair value through OCI reserve	The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income under AASB 9. The net change in the fair value of financial assets measured at fair value through other comprehensive income (FVTOCI) will be shown in this reserve and not be subsequently reclassified to profit or loss.
Foreign currency translation reserve	The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign operations.

	Acquisitions reserve $m	Employee equity benefits reserve $m	Common control reserve $m	Hedge reserve $m	Fair value through OCI reserve $m	Foreign currency translation reserve $m	Total $m
Year ended 30 June 2017							
As at 1 July 2016	**(63.5)**	**5.3**	**(642.6)**	**29.0**	**58.6**	**147.2**	**(466.0)**
Fair value movement on financial assets measured at FVTOCI	–	–	–	–	(110.7)	–	(110.7)
Tax effect of net gain on financial assets measured at FVTOCI	–	–	–	–	33.6	–	33.6
Net gain on cash flow hedges	–	–	–	(89.5)	–	–	(89.5)
Tax effect of net gain on cash flow hedges	–	–	–	28.8	–	–	28.8
Movement in reserves of equity accounted investees	–	(0.4)	–	3.2	–	(9.1)	(6.3)
Currency translation differences	–	–	–	–	–	(39.3)	(39.3)
Share based payments	–	2.0	–	–	–	–	2.0
Share based payment options settled	–	(0.3)	–	–	–	–	(0.3)
As at 30 June 2017	**(63.5)**	**6.6**	**(642.6)**	**(28.5)**	**(18.5)**	**98.8**	**(647.7)**
Year ended 30 June 2016							
As at 1 July 2015	**(63.5)**	**4.3**	**(642.6)**	**9.6**	**216.4**	**131.6**	**(344.2)**
Impact of transition – AASB 9: Financial Instruments	–	–	–	0.4	–	–	0.4
Fair value movement on financial assets measured at FVTOCI	–	–	–	–	(225.5)	–	(225.5)
Tax effect of net gain on financial assets measured at FVTOCI	–	–	–	–	67.7	–	67.7
Net gain on cash flow hedges	–	–	–	31.9	–	–	31.9
Tax effect of net gain on cash flow hedges	–	–	–	(9.6)	–	–	(9.6)
Movement in reserves of equity accounted investees	–	(0.4)	–	(3.3)	–	1.2	(2.5)
Currency translation differences	–	–	–	–	–	14.4	14.4
Share based payments	–	1.4	–	–	–	–	1.4
As at 30 June 2016	**(63.5)**	**5.3**	**(642.6)**	**29.0**	**58.6**	**147.2**	**(466.0)**

25. DIVIDENDS

	Date of payment	Franked/ unfranked	Amount per share	Total $m
Dividends paid				
Year ended 30 June 2017				
Ordinary shares				
Final dividend in respect of 2016 year	7 Oct 16	Franked	$0.20	56.2
Interim dividend	13 Apr 17	Franked	$0.20	56.3
				112.5
Transferable Extendable Listed Yield Shares (TELYS4)				
Dividend	30 Nov 16	Franked	$2.41	12.0
Dividend	31 May 17	Franked	$2.36	11.7
				23.7
Subsequent event				
Current period final dividend on ordinary shares proposed but not provided for				
Ordinary shares				
Final dividend in respect of 2017 year	6 Oct 17	Franked	$0.21	59.1
Balance of franking account at 30%				128.7
Year ended 30 June 2016				
Ordinary shares				
Final dividend in respect of 2015 year	9 Oct 15	Franked	$0.20	58.5
Interim dividend	12 Apr 16	Franked	$0.20	56.4
				114.9
Transferable Extendable Listed Yield Shares (TELYS4)				
Dividend	30 Nov 15	Franked	$2.45	12.1
Dividend	31 May 16	Franked	$2.50	12.5
				24.6
Ordinary shares				
Final dividend in respect of 2016 year	7 Oct 16	Franked	$0.20	56.2
Balance of franking account at 30%				142.2

The balance of the dividend franking account as at the reporting date has been adjusted for:

(a) franking credits/debits that will arise from the payment/refund of current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the reporting date; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $25.3 million (2016: $24.1 million).

26. CONTINGENT LIABILITIES

	2017 $m	2016 $m
Contingent liabilities – continuing operations		
Performance guarantees	101.3	142.5
Financial guarantees	4.0	31.0
Contingent liabilities – discontinued operations		
Performance guarantees	24.6	–
Financial guarantees	25.9	–
Total contingent liabilities	**155.8**	**173.5**

26. CONTINGENT LIABILITIES (CONTINUED)

Performance guarantees

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

Financial guarantees

The Group has issued a number of financial guarantees to third parties for various operational and financing purposes. To the extent that the Directors expect these third party guarantees to be called upon, a provision has been recorded in the consolidated statement of financial position as at 30 June 2017.

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 20: Interest Bearing Loans and Borrowings.

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.

27. COMMITMENTS

	2017 $m	2016 $m
Capital expenditure commitments		
Payable:		
Not later than one year	27.3	25.9
Finance lease commitments		
Payable:		
Not later than one year	0.3	1.4
Later than one year but not later than five years	–	0.5
Minimum lease payments[a]	0.3	1.9
Operating lease commitments[b]		
Payable:		
Not later than one year	54.7	50.5
Later than one year but not later than five years	145.6	153.8
Later than five years	118.8	48.7
	319.1	**253.0**
Exploration expenditure commitments[c]		
Payable:		
Not later than one year	23.7	27.2
Later than one year but not later than five years	–	10.5
	23.7	**37.7**
The above commitments include exploration expenditure commitments relating to joint venture operations in relation to AC/RL9:		
Not later than one year	3.7	7.2
Later than one year but not later than five years	–	10.5
	3.7	**17.7**
Other commitments[d]		
Payable:		
Not later than one year	41.3	72.8

(a) minimum future lease payments include the aggregate of all lease payments and any guaranteed residual value.

(b) the Group leases various offices and sites under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(c) exploration expenditure commitments relate to work commitments pursuant to the award of petroleum exploration permits WA377P and AC/RL9. Estimates for future exploration expenditure commitments are based on estimated well and seismic costs which will change as actual drilling location and seismic surveys are organised and are determined in current dollars on an undiscounted basis. The exploration and evaluation obligations may vary significantly as a result of renegotiations with relevant parties.

(d) other commitments relates to the Group's commitment to invest in an unlisted investment fund.

28. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as outlined below, there has not arisen in the interval between 30 June 2017 and the date of this Report any other event that would have had a material effect on the Financial Statements as at 30 June 2017.

Sale of WesTrac China

On 1 July 2017, wholly-owned subsidiaries entered into sale agreements to dispose of entities comprising the Group's WesTrac China operating segment. The sale is subject to a number of conditions precedent including regulatory approval from the Ministry of Commerce of the People's Republic of China. On satisfying the conditions precedent including obtaining regulatory approval, the sale will be completed resulting in the Group's WesTrac China operations being sold.

Movement in share prices of listed investments

Subsequent to year end, there has been movement in the share prices of listed investments and as a result, the value of the Group's investments have varied from what is presented in this financial report. The market value of listed investments at 21 August 2017 compared to their market value at 30 June 2017 is provided in the table below.

	MARKET VALUE	
	21 August 2017 $m	30 June 2017 $m
Listed equity securities	463.6	502.2
Listed investments accounted for using the equity method	752.7	687.3
Total listed investments	**1,216.3**	**1,189.5**

29. PARENT ENTITY DISCLOSURES

As at and throughout the year ended 30 June 2017 the parent company of the Group was Seven Group Holdings Limited.

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

	COMPANY	
	2017 $m	2016 $m
Financial position of parent entity at end of the year		
Current assets	1.0	0.6
Total assets	3,129.7	3,127.2
Current liabilities	103.6	102.2
Total liabilities	533.7	533.4
Total equity of the parent entity comprising of:		
Contributed equity	2,472.9	2,472.7
Reserves	7.7	5.9
Retained earnings	115.4	115.2
Total shareholders equity	**2,596.0**	**2,593.8**
Result of the parent entity		
Profit for the year	136.4	143.5
Total comprehensive income for the year	**136.4**	**143.5**
Other information		
Contingent liabilities of the parent entity[a]	123.4	126.1

(a) relates to financial guarantees provided to third parties by the parent entity for subsidiary debt facilities and other financing arrangements. These facilities are held by entities that are outside of the Deed of Cross Guarantee disclosed in Note 30: Controlled Entities.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 30: Controlled Entities.

In addition to the contingent liabilities shown above, the parent entity guarantees a number of debt facilities held by various controlled entities who are part of the Deed of Cross Guarantee.

30. CONTROLLED ENTITIES

	Notes	Country of incorporation	OWNERSHIP INTEREST 2017 %	2016 %
Parent entity				
Seven Group Holdings Limited	(a)	Australia		
Subsidiaries				
Allight Holdings Pty Limited	(a)	Australia	100	100
AllightSykes New Zealand Limited	(b)	New Zealand	100	100
AllightPrimax FZCO		UAE	100	100
AllightSykes Pty Limited	(a)	Australia	100	100
AllightSykes SA (Proprietary) Limited		South Africa	100	100
ATPH Pty Limited	(c)	Australia	–	100
ATP1 Pty Limited	(c)	Australia	–	100
ATP2 Pty Limited	(c)	Australia	–	100
ATP3 Pty Limited	(c)	Australia	–	100
C7 Pty Limited	(a)	Australia	100	100
Direct Target Access Pty Limited	(a)	Australia	100	100
FGW Pacific Pty Limited		Australia	100	100
Industrial Investment Holdings Pty Limited		Australia	100	100
Kimlin Holdings Pty Limited		Australia	100	100
Liaoning WesTrac Machinery Equipment Limited	(f)	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)	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	(c)	Australia	–	100
Seven Media Group Pty Limited	(a)	Australia	100	100
Seven (National) Pty Limited	(a)	Australia	100	100
Seven Network International Limited	(a)	Australia	100	100
Seven Network Investments Pty Limited	(a)	Australia	100	100
Seven Network Limited	(a)	Australia	100	100
Seven Network Nominees Pty Limited	(a)	Australia	100	100
Seven Network (United States) Inc		USA	100	100
Seven Resources Pty Limited	(a)	Australia	100	100
Seven (WAN) Pty Limited	(d)	Australia	100	100

	Notes	Country of incorporation	OWNERSHIP INTEREST 2017 %	2016 %
SGH Communications Pty Limited		Australia	100	100
SGH Energy Aust. Pty Limited	(e)	Australia	100	100
SGH Energy Corporate Pty Ltd		Australia	100	100
SGH Energy (No 1) Pty Limited		Australia	100	100
SGH Energy (No 2) Pty Limited		Australia	100	100
SGH Energy NTP66 Pty Ltd		Australia	100	100
SGH Energy NV Pty Ltd		Australia	100	100
SGH Energy Pty Ltd		Australia	100	100
SGH Energy Services Pty Ltd		Australia	100	100
SGH Energy VICP54 Pty Ltd		Australia	100	100
SGH Energy VICP56 Pty Ltd		Australia	100	100
SGH Energy WA Pty Ltd		Australia	100	100
SGH Energy WA377P Pty Ltd		Australia	100	100
SGH Productions Pty Limited	(a)	Australia	100	100
Sitech (Beijing) Engineering Technology Development Company Limited	(f)	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)	Australia	100	100
Tallglen Pty Limited	(a)	Australia	100	100
Tianjin WesTrac Machinery Equipment Limited	(f)	China	100	100
Weishan (Beijing) Machinery Equipment Limited	(f)	China	100	100
WesTrac (Beijing) Machinery Equipment Limited	(f)	China	100	100
WesTrac China Limited	(f)	Hong Kong	100	100
WesTrac (China) Machinery Equipment Limited	(f)	China	100	100
WesTrac Fleet Pty Limited	(g)	Australia	–	100
WesTrac Holdings Pty Limited	(a)	Australia	100	100
WesTrac Hong Kong Limited	(f)	Hong Kong	100	100
WesTrac Inventory Pty Limited	(g)	Australia	–	100
WesTrac Machinery Distribution Pty Limited		Australia	100	100
WesTrac Pty Limited		Australia	100	100

(a) pursuant to ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 these controlled entities are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial reports.
(b) this company changed its name to AllightSykes New Zealand Limited on 22 October 2015 (formerly Sykes New Zealand Limited).
(c) this company was deregistered on 31 May 2017.
(d) this controlled entity entered into the Deed of Cross Guarantee with the Company via Assumption Deed on 2 November 2015.
(e) SGH Energy Aust. NL changed its name to SGH Energy Aust. Pty Limited on 30 July 2015.
(f) this company is part of the WesTrac China disposal group. Refer to Note: 32 Discontinued Operations for further detail.
(g) this company was deregistered on 20 November 2016.

30. CONTROLLED ENTITIES (CONTINUED)

Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 ("Instrument") 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 Instrument that the Company and each of the wholly-owned controlled entities (marked (a)) enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the even t of winding up of any of the parties to the Deed under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A combined statement of comprehensive income and combined statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, are set out below.

	COMBINED	
	2017 $m	2016 $m
Statement of comprehensive income		
Revenue		
Revenue	63.3	69.3
Other income		
Other income	7.7	11.5
Gain on sale of investments and equity accounted investees	1.9	0.2
Dividend income	152.8	134.2
Total other income	**162.4**	**145.9**
Share of results from equity accounted investees	(182.9)	79.0
Impairment of equity accounted investees	128.4	5.5
Fair value movement of derivatives	3.1	4.2
Expenses excluding depreciation and amortisation		
Expenses	(91.8)	(104.2)
Depreciation and amortisation	(1.0)	(1.6)
Profit before net finance expense and tax	**81.5**	**198.1**
Net finance expenses	(38.3)	(39.3)
Profit before tax	**43.2**	**158.8**
Income tax benefit	9.5	24.6
Profit for the year	**52.7**	**183.4**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	(106.4)	(255.0)
Income tax on items of other comprehensive income	30.8	76.5
Total items that will not be reclassified subsequently to profit or loss	**(75.6)**	**(178.5)**
Items that may be reclassified subsequently to profit or loss:		
Foreign currency differences for foreign operations	(8.0)	4.3
Total items that may be reclassified subsequently to profit or loss	**(8.0)**	**4.3**
Total comprehensive income for the year	**(30.9)**	**9.2**
Movement in retained earnings		
Retained profits at beginning of the year	520.7	476.7
Profit for the year	52.7	183.4
Dividends paid during the year	(136.2)	(139.4)
Retained earnings at end of the year	**437.2**	**520.7**

	COMBINED	
	2017 $m	2016 $m
Statement of financial position		
Current assets		
Cash and cash equivalents	116.0	128.4
Trade and other receivables	16.3	44.1
Inventories	25.0	28.2
Loans to related parties	31.0	–
Other current assets	–	0.1
Derivative financial instruments	–	1.3
Total current assets	**188.3**	**202.1**
Non-current assets		
Investments in controlled entities	865.5	865.5
Investments accounted for using the equity method	1,106.9	969.1
Other financial assets	502.2	892.4
Property, plant and equipment	1.7	2.3
Intangible assets	0.8	0.9
Derivative financial instruments	0.4	–
Total non-current assets	**2,477.5**	**2,730.2**
Total assets	**2,665.8**	**2,932.3**
Current liabilities		
Interest bearing loans and liabilities	40.1	80.1
Trade and other payables	57.0	46.9
Loans from related parties	14.7	28.2
Deferred income	0.8	0.9
Provisions	4.0	3.9
Derivative financial instruments	0.8	4.6
Total current liabilities	**117.4**	**164.6**
Non-current liabilities		
Interest bearing loans and liabilities	813.6	866.5
Deferred tax liabilities	21.2	23.9
Trade and other payables	0.9	0.4
Provisions	2.9	4.2
Deferred income	7.3	7.3
Total non-current liabilities	**845.9**	**902.3**
Total liabilities	**963.3**	**1,066.9**
Net assets	**1,702.5**	**1,865.4**
Equity		
Issued capital	2,472.9	2,472.7
Reserves	(1,207.6)	(1,128.0)
Retained earnings	437.2	520.7
Total equity	**1,702.5**	**1,865.4**

31. ASSETS HELD FOR SALE

Accounting policy

Assets are classified as held for sale when management are committed to a plan to sell the asset within the next 12 months, an active program to locate a buyer is initiated and the plan is unlikely to be significantly changed or withdrawn.

Assets held for sale are measured at the lower of carrying amount and fair value less costs of disposal.

The Group's investment in WesTrac China is classified as an asset held for sale at 30 June 2017 as the Group has definitively decided on a plan to dispose of the operations. The operations are disclosed as the WesTrac China segment.

The disposal is consistent with the Group's long-term strategy to focus its activities on where we can generate a cost of capital. The Group is in negotiation with a potential buyer and expects the sale to complete by 30 September 2017. The Group has not recognised any impairment loss in respect of the WesTrac China operations when reclassifying as an asset held for sale as the expected fair value less costs of disposal is higher than the carrying amount.

Outlined below is a summary of the assets and liabilities for WesTrac China at 30 June 2017:

	2017 $m
Current assets	
Cash and cash equivalents	76.8
Trade and other receivables	147.2
Inventories	161.8
Other current assets	8.2
Total current assets	**394.0**
Non-current assets	
Property, plant and equipment	17.6
Intangible assets	312.1
Deferred tax assets	7.7
Total non-current assets	**337.4**
Total assets	**731.4**
Current liabilities	
Trade and other payables	129.8
Deferred income	41.5
Current tax liability	8.1
Provisions	8.4
Total current liabilities	**187.8**
Non-current liabilities	
Deferred tax liabilities	0.2
Total non-current liabilities	**0.2**
Total liabilities	**188.0**
Net assets	**543.4**

32. DISCONTINUED OPERATIONS

The Group's investment in WesTrac China is classified as an asset held for sale at 30 June 2017 as the Group has definitively committed on a plan to dispose of the operations. Furthermore, as the WesTrac China segment represents the Group's sole direct geographical exposure to China, the results of WesTrac China have been presented as discontinued operations.

WesTrac China is the authorised Caterpillar dealer (including Bucyrus/Expanded Mining Products) 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.

The combined results of the discontinued operations included in the Group's profit for the year are set out below. The comparative consolidated statement of profit or loss and other comprehensive income and consolidated cash flow statement have been re-presented to separately disclose the operations classified as discontinued in the current year.

	2017 $m	2016 $m
Statement of profit or loss – discontinued operations		
Revenue	602.4	600.5
Other income	4.2	6.7
Fair value movement of derivatives	2.1	1.0
Expenses excluding depreciation and amortisation	(567.4)	(573.5)
Profit before depreciation, amortisation, net finance expense and income tax	**41.3**	**34.7**
Depreciation and amortisation	(3.1)	(4.9)
Profit before net finance expense and income tax	**38.2**	**29.8**
Finance expense	(2.2)	(3.5)
Profit before income tax	**36.0**	**26.3**
Income tax expense	(6.2)	(12.5)
Profit for the year from discontinued operations	**29.8**	**13.8**
Profit for the year from discontinued operations attributable to:		
Equity holders of the Company	30.0	14.3
Non-controlling interest	(0.2)	(0.5)
Profit for the year from discontinued operations	**29.8**	**13.8**
Cash flows from discontinued operations		
Net cash inflows from operating activities	71.2	48.7
Net cash inflows/(outflows) from investing activities	3.4	(0.5)
Net cash outflows from financing activities	(41.6)	(26.1)
Net cash inflows	**33.0**	**22.1**

33. RELATED PARTY DISCLOSURES

Key management personnel compensation

Detailed remuneration disclosures, including movements in equity holdings for KMP, are disclosed in the Remuneration Report section of the Director's Report.

The aggregate compensation made to the Key Management Personnel of the Group is set out below:

	2017 $000	2016 $000
Short-term employee benefits	7,706	8,513
Post-employment benefits	284	306
Termination benefits	23	–
Other long-term employee benefits	233	181
Share-based payments	2,516	840
Total key management personnel compensation	**10,762**	**9,840**

No Director has entered into a material contract with the Group in the current or prior year other than those disclosed in the Remuneration Report or this note.

Subsidiaries

Interests in subsidiaries are set out in Note 30: Controlled Entities.

Other related party transactions

The aggregate value of transactions between the Group and its equity accounted investees is outlined below.

	2017 $m	2016 $m
Sales revenue		
Associates	2.8	1.9
Joint ventures	19.8	29.8
Other income		
Joint ventures	1.6	2.0
Rental expense		
Joint ventures	(1.0)	(1.3)
Other expenses		
Associates	(2.9)	(3.7)
Joint ventures	–	(0.8)
Expense reimbursement		
Associates	(0.7)	(0.2)
Outstanding balances arising from transactions with equity accounted investees:		
Trade and other receivables		
Associates	1.0	0.6
Joint ventures	5.2	11.6
Tax payable to equity accounted investee who is a member of the tax-consolidated group		
Associates	(14.7)	(38.6)

Director related party transactions

There have been a number of substantial related party transactions with director related entities during the year.

Lease of premise

The WesTrac Group leases a number of properties from related parties, the material terms of which were set out on page 406 of Part B of the merger scheme documentation. During the year, a number of these properties were sold by the related party to an arm's length purchaser. New lease terms with an extended duration and in conjunction with lower base rents have been entered into by the Group with the new owner.

The Group consented to waive its first and last right over a number of these related party properties. In return the Group received consideration with an estimated market value of $4.8 million which was provided via future rent reductions and waiving of make-good obligations on the rental properties.

The key lease amendments with the arm's length parties are as outlined below:

- Tomago – reduction in passing rent of approximately $3.0 million, lease duration extended by ten years to 2034 and 50 basis point reduction in the minimum annual rent review;
- South Guildford – reduction in passing rent of $1.9 million, lease duration extended by seven years to 2028 and a new cap and collar on market rent review at the end of year 12, along with one additional five year extension option;
- Welshpool and Kewdale – no change in arrangements with the new property owner; and
- Parramatta – early termination of lease in February 2018 with rent reduction over the remaining lease term and no make-good obligation on exiting the property.

Other transactions

During the year, a related party transacted with the Group to acquire used heavy equipment on an arm's length basis.

34. AUDITOR'S REMUNERATION

Amounts received or due and receivable by auditors of the Company are set out below.

	2017 $000	2016 $000
Audit and audit related services		
Auditors of the Company		
Australia		
Audit and review of financial reports	600	765
Overseas auditor firms		
Audit and review of financial report	225	205
Total audit and audit related services	**825**	**970**
Other services		
Auditors of the Company		
Australia		
Other advisory services	218	76
Other tax and advisory services	4	105
Overseas auditor firms		
Other tax and advisory services	–	19
Total other services	**222**	**200**
Total auditor's remuneration	**1,047**	**1,170**

The Company appointed Deloitte Touche Tohmatsu as the external auditor for the year ended 30 June 2017. In the prior year, the external auditor was KPMG. The external auditor is only appointed to assignments additional to their statutory audit duties where they are able to maintain their audit independence. All amounts payable to the auditors of the Company were paid by Group subsidiaries.

DIRECTORS' DECLARATION

Year ended 30 June 2017

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 76 to 135 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 2017 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 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director & Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2017.
4. The Directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

KM Stokes AC
Executive Chairman

SA Chaplain
Chair of the Audit & Risk Committee

Sydney
22 August 2017

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Seven Group Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Seven Group Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	**How the scope of our audit responded to the Key Audit Matter**
Recoverability of producing and development assets As disclosed in Note 13, the Group has producing and development assets of $213.9 million. The assessment of the recoverable amount requires significant judgement in respect of assumptions such as estimated quantities of proven plus probable reserves and future commodity prices. We focussed on this area as a key audit matter due to the judgement involved in forecasting future cash flows and the selection of key assumptions.	Our procedures, performed in conjunction with valuation experts, included: • Understanding the process that management undertakes to evaluate the recoverability of producing and development assets • Assessing the competence, scope of work and objectivity of management's expert used to assist with the assessment of proven plus probable reserves; • Evaluating the management prepared models to assess the recoverable amount of the producing and developing assets, including: - Agreeing proven plus probable reserves to management's expert's reports; and - Critically assessing the key assumptions. Particular focus was given to future commodity prices. We corroborated market related assumptions by reference to external data; • Assessing the historical accuracy of forecasting of the Group in relation to the producing and development assets; • Testing, on a sample basis, the mathematical accuracy of the cash flow models; • Performing sensitivity analysis on key assumptions, including future commodity prices and proven plus probable reserves; and • Assessing the appropriateness of the relevant disclosures in the financial statements.
Accounting for the investment in Seven West Media Limited ("SWM") As disclosed in Note 11 the Group holds an investment in SWM at a carrying value of $442.4 million. Accounting for the investment in SWM requires significant judgement in respect of assessing whether the Group has significant influence or control over SWM. This impacts the classification of the investment in SWM as an equity accounted investment, rather than a subsidiary which is consolidated and so has a pervasive impact on the financial statements.	Our procedures included: • Evaluating management's determination that the Group's key management personnel do not exert control over the significant operational decisions of SWM. This included assessing the composition and independence of the SWM Board of Directors; • Evaluating historical voting patterns at Annual General Meetings to challenge management's conclusion that they do not have control; • Assessing the accuracy of the Group's ownership interest in SWM by recalculating SGH's ownership interest in SWM's issued share capital; and • Assessing the appropriateness of the relevant disclosures in the financial statements.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of inventory As disclosed in Note 10, at 30 June 2017 the Group holds inventories with a carrying value of $654.7 million. The determination of the carrying value of inventories requires significant judgement, specifically in relation to spare parts and new machines, as inventory provisions are determined based on the age and condition of the goods, and management's assessment of future demand and market conditions. We focussed on this area as a key audit matter due to the significant judgement involved in assessing future demand and market conditions.	Our procedures included: • Understanding the process that management undertake to determine the provision; • Testing on a sample basis management's inventory provision calculations, including: - Agreeing key assumptions related to estimated sales prices to underlying documentation such as latest sales invoices; and - Critically assessing the assumptions, including future saleability of aged inventory, and corroborating management's market related assumptions by reference to external data where possible; • Assessing the historical accuracy in relation to inventory provisions by comparing historical provisions against actual inventory write-downs; • Critically assessing the level of inventory provisioning in light of the Group's inventory ageing profile; and • Assessing the appropriateness of the relevant disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of Seven Group Holdings Limited included in Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JLGorton

JL Gorton
Partner
Chartered Accountants
Sydney, 22 August 2017

INVESTOR INFORMATION

SHAREHOLDER INQUIRIES

Investors seeking information regarding their shareholding or dividends or wishing to advise of a change of address should contact the Share Registry at:

Boardroom Pty Limited
Level 12
Grosvenor Place
225 George Street
Sydney NSW 2000

GPO Box 3993
Sydney NSW 2001

Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664 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 17 July 2017 are as follows:-

Shareholder	No. of Shares	% Held*
KM Stokes; North Aston Pty Limited, Wroxby Pty Limited, Tiberius (Seven Investments)Pty Limited and Ashblue Holdings Pty Limited; Tiberius Pty Limited, Redlake Pty Limited and Tiberius group entities; Australian Capital Equity Pty Limited, Clabon Pty Limited and Australian Capital Equity Pty Limited group entities	207,304,349	73.05

* Based on issued capital at date of notification

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND TELYS4 SHAREHOLDERS

Category (No.s)	Ordinary Shareholders	TELYS4
1 – 1,000	4,373	7,564
1,001 – 5,000	2,900	730
5,001 – 10,000	415	52
10,001 – 100,000	224	24
100,001 – and over	31	3
Total No. of Holders	7,943	8,373
No. of Holdings less than a Marketable Parcel	287	12

TWENTY LARGEST ORDINARY SHAREHOLDERS

Name of Shareholder	No. of Shares	% Held
Ashblue Holdings Pty Limited	62,462,442	22.21
North Aston Pty Limited	60,537,558	21.52
North Aston Pty Limited	53,572,442	19.05
Wroxby Pty Limited	23,731,907	8.44
HSBC Custody Nominees (Australia) Limited	21,994,403	7.82
Citicorp Nominees Pty Limited	16,753,862	5.96
Tiberius (Seven Investments) Pty Limited	7,000,000	2.49
JP Morgan Nominees Australia Limited	5,834,010	2.07
National Nominees Limited	2,599,214	0.93
BNP Paribas Nominees Pty Limited	1,509,023	0.54
RBC Investor Services Australia Nominees Pty Limited	1,367,969	0.49
BNP Paribas Nominees Pty Limited	1,131,051	0.40
AMP Life Limited	689,221	0.24
HSBC Custody Nominees (Australia) Limited	586,651	0.20
JAN 123 Pty Limited	447,467	0.16
Warbont Nominees Pty Limited	310,175	0.11
HSBC Custody Nominees (Australia) Limited	302,239	0.10
Uechtritz Foundation Pty Limited	271,730	0.09
Mr BM Lambert	239,547	0.09
Ecapital Nominees Pty Limited	234,240	0.09
Total Twenty Largest Ordinary Shareholders	261,575,151	93.00

TWENTY LARGEST TELYS4 SHAREHOLDERS

Name of Shareholder	No. of TELYS4	% Held
Sandhurst Trustees Limited	257,673	5.19
HSBC Custody Nominees (Australia) Limited	167,007	3.36
Navigator Australia Limited	100,919	2.03
Nulis Nominees (Australia) Limited	58,034	1.17
National Nominees Limited	49,284	0.99
BNP Paribas Nominees Pty Limited	44,411	0.89
Netwealth Investments Limited	43,520	0.88
Jilliby Pty Limited	35,778	0.73
Australia Executor Trustees Limited	31,728	0.64
ZW 2 Pty Limited	28,000	0.56
Turtle SMSF Pty Limited	21,000	0.43
Mr DPJ and Mrs ES Mulroney	19,950	0.40
JGW Investments Pty Limited	18,329	0.37
Lenhut Pty Limited	15,619	0.31
JP Morgan Nominees Australia Limited	14,471	0.29
Netwealth Investments Limited	13,906	0.28
Mr LCJ and Mrs CK Lees	13,092	0.27
Mrs ES Mulroney	13,000	0.26
Mrs SR Richards	12,605	0.25
South Hong Nominees Pty Limited	12,000	0.24
Total Twenty Largest TELYS4 Shareholders	970,326	19.54

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 for Seven Group Holdings Limited ordinary shares.

An on-market buy-back for TELYS 4 concluded on 16 August 2017.

CORPORATE DIRECTORY

SEVEN GROUP HOLDINGS LIMITED
HEAD OFFICE
Level 2, 38–42 Pirrama Road
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Ph: (02) 8777 7777
Fax: (02) 8777 7778

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128–136 Great Eastern Highway
South Guildford WA 6055
Ph: (08) 9377 9444

WESTRAC NSW
1 WesTrac Drive
Tomago NSW 2322
Ph: (02) 4964 5000

WESTRAC ACT
78 Sheppard Street
Hume ACT 2620
Ph: (02) 6290 4500

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
Ph: (08) 9302 7000

ALLIGHTSYKES NSW
42 Munibung Road
Cardiff NSW 2285
Ph: (02) 4954 1400

SGH ENERGY
Level 5
160 Harbour Esplanade
Docklands VIC 3008
Ph: (03) 8628 7277

COMPANY INFORMATION

LIST OF DIRECTORS
Kerry Stokes AC (Executive Chairman)
Ryan Stokes (Managing Director
& Chief Executive Officer)
Annabelle Chaplain
Terry Davis
Christopher Mackay
David McEvoy
Bruce McWilliam (Commercial Director)
Warwick Smith AM
Richard Uechtritz

COMPANY SECRETARY
Warren Coatsworth

REGISTERED OFFICE
Company Secretariat
Level 2
38–42 Pirrama Road
Pyrmont NSW 2009

SHARE REGISTRY
Boardroom Pty Limited
Level 12
Grosvenor Place
225 George Street
Sydney NSW 2000

AUDITOR
Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

LEGAL ADVISORS
Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
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Clayton Utz
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1 Bligh Street
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