2018 YEAR IN REVIEW

Focus on execution

SGH | Industrial Services, Media, Energy and Investments

The core operating principles that have driven SGH's performance over the last 18 months remain consistent: supporting customers through quality product and service offerings and utilising data and technology to enhance our value proposition.

WESTRAC FIELD SERVICE TECHNICIANS ATTEND TO THE FIRST CAT 6015B HYDRAULIC EXCAVATOR SOLD IN AUSTRALIA TO HAMPTON MINING & CIVIL.

WELCOME TO THE 2018 YEAR IN REVIEW

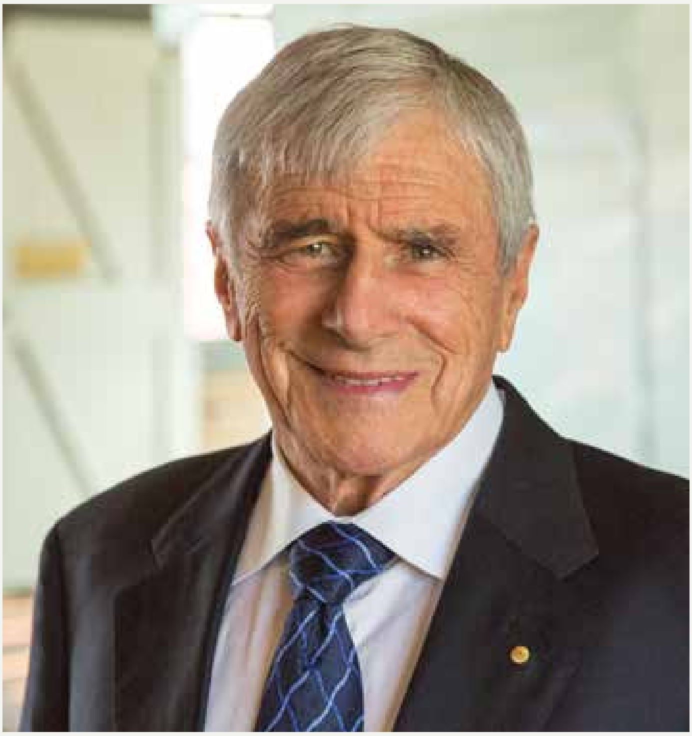
Operating strength coupled with disciplined capital management continues to deliver shareholder value.

OPERATIONAL EXCELLENCE

DISCIPLINE

AGILITY

CAPITAL MANAGEMENT



Welcome to our Annual Report.

The 2018 Annual Report highlights excellence in performance. In particular, the results being achieved by our technicians and workforce in WesTrac, Coates Hire and AllightSykes, where we collectively employ more than five thousand people. I am proud of their commitment to our customers and to the culture of our Group which focuses on safety, performance and delivery.

Over the last five years, the Group's industrial services operations - WesTrac, Coates Hire and AllightSykes - have adjusted their respective business models to meet the changing dynamics of the market, ensuring our market leading businesses were all positioned to capture the opportunities we were confident would present as cyclical markets turned. The result the Group delivered this year clearly demonstrates the value in quality business and equally highlights what can be achieved with a capable management team supported by an exceptional workforce and quality business partners.

As commodity prices strengthened we have seen increased production and early signs of capital reinvestment albeit we are still below the ten-year average in terms of mining fleet replacement. We continue to drive productivity improvements, ensuring we remain competitive all the time whilst supporting our customers to improve their efficiencies and increase production volumes. This has allowed our key mining customers to revamp their business models, supported by CAT product and technology, to meet their challenges and help them achieve global leading operating costs.

However, it has been our extraordinary people who have supported our customers' continued drive for greater efficiency delivering real outperformance that necessitated three upgrades to FY18 financial guidance during the year.

Safety remains key across all our businesses, and we are focused on continuous improvement in this regard.

We have achieved record parts volume for WesTrac and significantly increased activity in Coates Hire which allowed operating leverage to be captured by the businesses and improve the Group's profitability.

The acquisition of Carlyle Group's interest in Coates Hire during the year increased your Company's exposure to the East Coast infrastructure market which we envisage will be extended to WA and Queensland as their respective governments reinvest in their state's infrastructure. The team at Coates Hire has similarly leveraged the new infrastructure investment cycle, particularly in the eastern states of Australia, to create long-term value for the Group.

The frenetic pace of change is reflected in the sale of WesTrac China to Lei Shing Hong, closely followed by the acquisition of the remaining shareholding of Coates Hire supported by a $385 million institutional share placement, and then followed by the underwrite of Beach Energy's $1.6 billion acquisition of the Lattice Energy assets from Origin. We also repaid Coates Hire's $1 billion legacy syndicated debt facility, issued a $350 million convertible note, and recently concluded the refinancing and upsizing of the Group's $900 million syndicated facility.

Each of these transactions is notable for a variety of reasons, but more importantly, they have seen the value of your shares in the Group trade closer to intrinsic value. The market confidence in the management team's ability to both take on and effectively manage significant execution and operations risks has been appropriately rewarded seeing your shares appreciate 74 per cent during the year. This makes SGH one of the top performing companies in the ASX100 in terms of shareholder returns over one, three and five years.

These transactions also indicate that SGH will continue to evolve with a core focus on maximising return to shareholders through long-term sustainable value creation. To sell a business such as WesTrac China is not an easy decision. We can get emotionally connected to what we do and we have a great passion for the Caterpillar business as a dealer; but after 18 years it was the right time to realise its value. The sale of WesTrac China received regulatory approval and was completed in October 2017 with funds being fully remitted back to Australia.

In this regard it is also appropriate to recognise the contribution of your Board of Directors. As you will see from the number of meetings held during the year, they have been a critical part of every transaction, pushing to ensure key risks were both understood and managed whilst supporting management to achieve these outcomes and capture the opportunity. It has been both exciting and rewarding, and personally, I can't remember a year when collectively we have achieved so much which has both been understood and valued by the capital markets.

SGH will continue to focus on creating shareholder value by disciplined capital management. Today we have announced a proposal to unify the capital structure of your Company seeking the TELYS4 shareholders' consent to convert their shares into ordinary shares at a premium to the current market price but a discount to face value. We believe the proposed terms of the conversion represents an equitable allocation of the potential benefit between both the TELYS4 and ordinary shareholders.

We have been motivated to propose this amendment to mitigate the risk of potential tax reform that could negatively impact TELYS4 shareholders who currently enjoy the benefits of franking credit refundability. However, the secondary impact of unifying the capital structure is to increase the free float by approximately five per cent, and thus boost your Company's attractiveness to index tracking funds.

To ensure we retain our competitive position and continue to capture the market opportunities before us, the businesses continue to invest. This is evident in WesTrac's new service centre and warehouse in Western Sydney opened in August. Similar investments are being proposed for South Guilford. Coates Hire has also placed significant orders for new equipment.

During the year, Seven West Media delivered market leadership in terms of ratings while operating in tough conditions. We were encouraged by the continued growth in the free-to-air television market throughout the financial year. This has been driven by our industry collaborating through ThinkTV to promote the effectiveness and return on investment that TV advertising delivers. The ratings have been remarkable, with Seven West Media breaking numerous records in the first half of the calendar year. Seven West Media has grown market share year-on-year in all key demographics and our suite of multi-channels are dominant, with 7mate also breaking records.

Seven West Media has enhanced its focus on costs, the delivery of profitable ratings leadership and transformation of its print businesses. It was very encouraging to see the swift response from the team. This cost-out program has delivered sustained headcount reductions to realise annualised savings in excess of $21 million and ensured Seven West Media achieved their FY18 guidance. Their goal now is continuing this outstanding run, delivering another year at number one, and monetising their ratings momentum.

We believe that the combination of our assets, people and opportunities will allow SGH to continue to deliver shareholder value.

On behalf of the Board, I thank you, our shareholders, for your continuing support and commitment to your Company as we continue to transform the business to capture the opportunities before us.

Kerry Stokes AC
Executive Chairman

Our three market thematics of mining production, East Coast infrastructure and domestic energy have all delivered value to the Group.

IMAGE CREDIT
LOUIE DOUVIS / FAIRFAX SYNDICATION

FOCUS ON EXECUTION

This year we have undertaken significant steps to drive the transformation of your Company and focus on execution.

This has been an important year that has come off the back of the work undertaken over the last few years to ensure your Company is well positioned to take advantage of the opportunities before it. To drive outstanding performance, all our leaders across all our businesses performed and even more importantly, they have effectively managed the key risks and delivered results that ensured the Group delivered an outstanding financial result for the year.

The core operating principles that have driven this performance over the past 18 months remain consistent – that is, supporting customers through quality product and service offerings, and utilising data and technology to enhance our value proposition.

Whilst many will focus on the various corporate actions we have completed during the year, these should be appreciated in context. Whilst each transaction has been value enhancing, they would not have been possible without the exemplary performance of our underlying operating businesses. This started with WesTrac China delivering market share and margin growth which encouraged our neighbouring Caterpillar dealer, Lei Shing Hong, to acquire this business. This allowed us to realise and repatriate $535 million back to Australia.

When coupled with the strength of the cash flow performance in WesTrac and their growth in parts demand, this sale empowered us to stretch the Group's balance sheet to acquire our joint venture partner's interest in Coates Hire for $517 million and take on over $1 billion in debt. This acquisition was motivated by our belief in the market opportunity that East Coast infrastructure represented, supported by the fervent belief that the Coates Hire management team had a strategic plan that would see them capture this opportunity and deliver sustainable, profitable growth.

Similarly, in terms of our energy interests, the management team at Beach Energy successfully integrated Beach and Drillsearch, creating an efficient low cost operator with a capable management team and quality assets in the Cooper Basin. It was their growth aspiration that motivated Beach Energy to leverage this position to pursue the acquisition of the Lattice Energy portfolio.

81%

TSR for the year

5th over 3 years
7th over 5 years

Our objective remains on maximising return to shareholders through long term sustainable value creation.

This transformational acquisition enhances the scale and diversity of Beach Energy's operations and significantly expands its footprint across multiple basins, providing further exposure to East Coast gas markets, and delivers a step-change in production and reserves. Beach Energy is now the eminent mid-cap domestic E&P company on the ASX.

In August 2017, the Group provided FY18 earnings guidance of underlying earnings before interest and taxation (EBIT) from continuing operations forecast to be up between 5 to 10 per cent on FY17. Following the successful execution of these transactions, in February 2018 the Group amended its earnings guidance, forecasting FY18 pro-forma underlying EBIT to be up 15 per cent compared to FY17 pro-forma underlying EBIT.

In May 2018, on the strength of the performance of WesTrac, Coates Hire and Beach Energy, the Group further upgraded its guidance, with FY18 pro-forma underlying EBIT forecast to be up 25 per cent on the FY17 pro-forma. In closing June, the Group delivered an underlying EBIT result for the year of $496.9 million, which is 32 per cent up on the FY17 pro-forma or 67 per cent higher than FY17 actual underlying EBIT. The growth is attributable to improved earnings across the Group's industrial services businesses, the consolidation of Coates Hire from October 2017 and exponential growth in earnings from Beach Energy following its acquisition of Lattice Energy.

WesTrac has seen strong growth in service and support activity as our customers push their fleets harder in the mining production cycle. The team has been effectively capturing this maintenance opportunity and there is more of that market we can secure. Coates Hire is benefitting from growing infrastructure and construction activity, particularly on the East Coast. Beach Energy has optimised production and field operations which, together with strengthening oil prices, provide them with a strong foundation for the year ahead.

Our drive to improve operational performance has extended to safety where we continue to strive for improvements 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 are extended to contractors. Training and investment in talent is also a priority and I am pleased to report that we are expanding the WesTrac apprenticeship program and have set new goals for cultural and gender diversity. These are on track to be achieved in FY19, and we are focused upon building leadership and succession capabilities across the Group.

Pleasingly, the outstanding financial results and our ability to reposition the Group have also been appreciated by institutional investors. Given the Group's exposure to three key thematics – mining production, East Coast infrastructure and domestic gas demand, without the contract risk, has compelled domestic investors to reweight into SGH. This has seen the ordinary share price perform strongly, with SGH ranking as the second best performing stock against the S&P/ASX 100 (ex financials) as a function of TSR delivering 81 per cent for the year, and ranking fifth over three years and seventh over five years. We strive to continue this relative outperformance.

Subsequent to year-end, the Group successfully concluded the refinance of its corporate syndicated loan facility, increasing the facility to $1.3 billion across three and five-year tranches. This facility now provides the Group with increased funding flexibility and capacity, extending facility duration to 4.4 years and reducing any refinancing risk. This was achievable as a result of SGH electing during the year to diversify its capital base through the issue of convertible notes with a face value of $350 million and a 2.2 per cent fixed cash coupon for seven years.

We note that the TELYS4 shares have not enjoyed the same market re-rating as the ordinary shares and have traded at a substantial discount for many years. Further exacerbating this dislocation is the prospect of amendments to the franking system, which if enacted, would reduce the ability for self-managed superannuation funds and individuals to obtain a cash refund for excess franking credits. SGH has therefore proposed an amendment to the terms of the TELYS4 shares, supported by an offer to convert the shares at a 15 per cent premium to the prevailing market value should TELYS4 holders support the proposed amendments. Should this be approved, the transaction would be earnings per share accretive for ordinary shareholders and increase the free float by up to five per cent, increasing your company's index weighting on critical ASX and potentially MSCI indices. As such, we believe that unifying the capital structure further enhances the investability of SGH in a similar manner to that which was achieved by the $385 million institutional share placement.

In terms of outlook for FY19, WesTrac continues to benefit from a strong parts and components performance, reflecting the growing production being achieved by an ageing installed fleet, which is expected to continue. With a strengthening revenue outlook from infrastructure and construction projects, Coates Hire's operating leverage is expected to continue to improve gross margin.

In Energy, earnings from Beach Energy are expected to increase, reflecting an increasing oil price and their growth in production from both existing and Lattice assets. Seven West Media's focus on delivering audience and revenue leadership along with cost efficiencies provides expectations of growth in FY19. Their free cash generation is expected to further reduce leverage and strengthen their balance sheet to provide greater flexibility and deliver more value in an evolving media sector.

Our objective remains on maximising return to shareholders through long- term sustainable value creation. We aim to achieve this through the diligent application of capital, unlocking the potential of our people, focused execution of our strategies, the ability to operate effectively across different sectors, and contributing to our societies.

The Group will continue to evolve over time as we pursue our objective and remain vigilantly focused on execution.

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

Ryan Stokes
Managing Director & CEO

$496.9m
UNDERLYING EBIT RESULT

67%
HIGHER THAN FY17 UNDERLYING EBIT

32%
GROWTH ON PRO-FORMA FY17 EBIT EXCEEDING GUIDANCE OF 25%

Five Year Key Financial Results	2018[a] $m	2017[a] $m	2016 $m	2015 $m	2014 $m
Trading revenue	3,397.8	2,884.7	2,837.7	2,779.6	3,088.2
Underlying results[b]					
EBITDA	660.7	366.9	340.8	376.6	422.5
EBIT	514.1	333.3	302.8	314.5	374.4
Profit before tax	410.3	249.8	213.6	230.9	302.2
Profit after tax	332.3	215.4	184.2	204.3	253.2
Statutory results					
Profit before tax	483.8	79.3	217.0	(650.1)	310.7
Profit after tax	415.6	46.2	197.8	(359.1)	262.5
Underlying EPS ($)	1.00	0.67	0.56	0.59	0.74
Reported EPS ($)	1.27	0.07	0.60	(1.29)	0.77
Operating cash flow per share ($)[c]	0.82	1.05	1.10	0.96	0.80
Free cash flow per share ($)[d]	0.34	0.96	0.93	0.60	0.52
Full year fully franked ($) ordinary dividend per share	0.42	0.41	0.40	0.40	0.40

(a) 2018 and 2017 figures include continued and discontinued operations.
(b) Underlying results comprise statutory results adjusted for significant items and are separately disclosed and reconciled to statutory performance in Note 3 of the Financial 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) Operating cash flow per share is calculated by dividing the operating cash flow of the Group by the weighted average number of ordinary shares outstanding during the year.
(d) Free cash flow is operating cash flow less net capital expenditure of the Group divided by the weighted average number of ordinary shares outstanding during the year.

Industrial Services

WESTRAC
CONTROLLED BUSINESS
SGH OWNERSHIP: 100%

INDUSTRY
Mining and construction equipment

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

TRADING REVENUE FY18
$2,425.2M

SEGMENT ASSETS
$1,794.6M

COATES HIRE*
CONTROLLED BUSINESS
SGH OWNERSHIP: 100%

INDUSTRY
Industrial and general equipment hire

STRATEGIC POSITION
#1 Australian general equipment hire company

TRADING REVENUE FY18
$978.1M

SEGMENT ASSETS
$2,054.8M

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 FY18
$91.2M

SEGMENT ASSETS
$51.9M

Energy

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

SGH OWNERSHIP: 100% (SGH ENERGY) AND 25.6% (BEACH ENERGY)

NON-OPERATED 11% INTEREST IN A TEXAS OIL FIELD

STRATEGIC POSITION
Uniquely positioned to take advantage of the Australian East coast gas market

BEACH ENERGY TRADING REVENUE FY18
$1,250.8M

SEGMENT ASSETS
$935.9M

BEACH ENERGY CARRYING VALUE
$493.4M

Media Investments

SEVEN WEST MEDIA
SGH OWNERSHIP: 41%

INDUSTRY
Diversified media

STRATEGIC POSITION
Australia's largest diversified media company

TRADING REVENUE FY18
$1,622.8M

CARRYING VALUE
$516.6M

Other Investments

INVESTMENTS
The listed investment portfolio is a store of value and source of liquidity

PORTFOLIO VALUE OF
$329.2M

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

Indirect investments comprise a holding in Flagship

PROPERTY ASSETS CARRYING VALUE
$53.6M

* Coates Hire was previously an equity accounted joint venture prior to the Group's acquisition of the remaining 53.3 per cent interest and move to full ownership in October 2017.

FINANCIAL PERFORMANCE

	Underlying trading performance[a]			Less: Significant items[b]		
Year ended 30 June 2018	**Cont. $m**	**Discont. $m**	**Total $m**	**Cont. $m**	**Discont. $m**	**Total $m**
Revenue	3,207.9	189.9	**3,397.8**	–	–	**–**
Other income	65.1	2.3	**67.4**	(11.5)	–	**(11.5)**
Share of results from equity accounted investees	144.1	–	**144.1**	17.4	–	**17.4**
Revaluation of equity interest on acquisition of Coates Hire	–	–	**–**	(14.5)	–	**(14.5)**
Loss on sale of WesTrac China	–	–	**–**	5.3	–	**5.3**
Recycling of FCTR on sale of WesTrac China	–	–	**–**	(79.9)	–	**(79.9)**
Impairment reversal of equity accounted investees	–	–	**–**	(28.6)	–	**(28.6)**
Fair value movement of derivatives	–	–	**–**	(4.0)	–	**(4.0)**
Expenses excluding depreciation and amortisation	(2,774.4)	(174.2)	**(2,948.6)**	42.3	–	**42.3**
Profit before depreciation, amortisation, net finance costs and tax	**642.7**	**18.0**	**660.7**	**(73.5)**	**–**	**(73.5)**
Depreciation and amortisation	(145.8)	(0.8)	**(146.6)**	–	–	**–**
Profit before net finance costs and tax	**496.9**	**17.2**	**514.1**	**(73.5)**	**–**	**(73.5)**
Net finance expense	(101.7)	(2.1)	**(103.8)**	–	–	**–**
Profit before tax	**395.2**	**15.1**	**410.3**	**(73.5)**	**–**	**(73.5)**
Income tax expense	(73.3)	(4.7)	**(78.0)**	(9.8)	–	**(9.8)**
Profit for the year	**321.9**	**10.4**	**332.3**	**(83.3)**	**–**	**(83.3)**
Year ended 30 June 2017	**Cont. $m**	**Discont. $m**	**Total $m**	**Cont. $m**	**Discont. $m**	**Total $m**
Revenue	2,282.3	602.4	**2,884.7**	–	–	**–**
Other income	51.7	4.2	**55.9**	(4.4)	–	**(4.4)**
Share of results from equity accounted investees	121.0	–	**121.0**	303.3	–	**303.3**
Impairment reversal of equity accounted investees	–	–	**–**	(128.4)	–	**(128.4)**
Fair value movement of derivatives	–	–	**–**	(1.9)	(2.1)	**(4.0)**
Expenses excluding depreciation and amortisation	(2,127.3)	(567.4)	**(2,694.7)**	8.8	–	**8.8**
Profit before depreciation, amortisation, net finance costs and tax	**327.7**	**39.2**	**366.9**	**177.4**	**(2.1)**	**175.3**
Depreciation and amortisation	(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**
Net finance expense	(81.3)	(2.2)	**(83.5)**	(4.8)	–	**(4.8)**
Profit before tax	**215.9**	**33.9**	**249.8**	**172.6**	**(2.1)**	**170.5**
Income tax expense	(28.8)	(5.6)	**(34.4)**	(1.9)	0.6	**(1.3)**
Profit for the year	**187.1**	**28.3**	**215.4**	**170.7**	**(1.5)**	**169.2**

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

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

Statutory results (as reported)

Cont. $m	Discont. $m	Total $m
3,207.9	189.9	**3,397.8**
76.6	2.3	**78.9**
126.7	–	**126.7**
14.5	–	**14.5**
(5.3)	–	**(5.3)**
79.9	–	**79.9**
28.6	–	**28.6**
4.0	–	**4.0**
(2,816.7)	(174.2)	**(2,990.9)**
716.2	**18.0**	734.2
(145.8)	(0.8)	**(146.6)**
570.4	**17.2**	587.6
(101.7)	(2.1)	**(103.8)**
468.7	**15.1**	483.8
(63.5)	(4.7)	**(68.2)**
405.2	**10.4**	415.6

Cont. $m	Discont. $m	Total $m
2,282.3	602.4	**2,884.7**
56.1	4.2	**60.3**
(182.3)	–	**(182.3)**
128.4	–	**128.4**
1.9	2.1	**4.0**
(2,136.1)	(567.4)	**(2,703.5)**
150.3	**41.3**	191.6
(30.5)	(3.1)	**(33.6)**
119.8	**38.2**	158.0
(76.5)	(2.2)	**(78.7)**
43.3	**36.0**	79.3
(26.9)	(6.2)	**(33.1)**
16.4	**29.8**	46.2

CONTINUING OPERATIONS

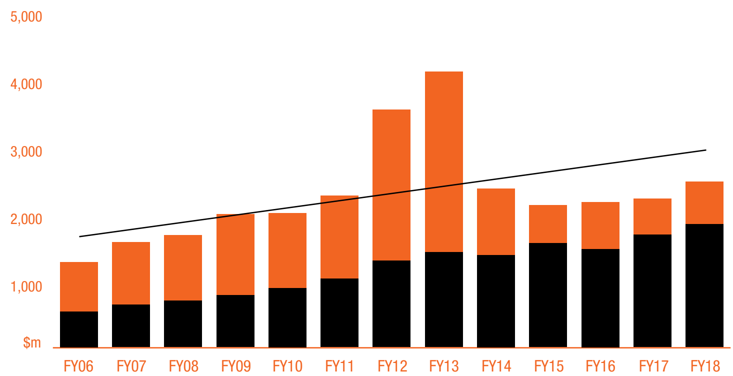
In August 2017, the Group provided FY18 earnings guidance of underlying earnings before interest and taxation (EBIT) from continuing operations to be up between five to ten per cent on FY17. Following the successful execution of a number of significant transactions, namely, the sale of WesTrac China, acquisition of Coates Hire and acquisition of Lattice Energy by Beach Energy, in February 2018 the Group amended its earnings guidance, forecasting FY18 pro-forma underlying EBIT to be up 15 per cent compared to FY17 pro-forma underlying EBIT or up 46 per cent on FY17 actual underlying EBIT. In May 2018, on the strength of the performance of WesTrac, Coates Hire and Beach Energy, the Group further upgraded its guidance, with FY18 pro-forma underlying EBIT forecast to be up 20 to 25 per cent on the FY17 pro-forma. Accordingly, on a continuing operations basis, this guidance has been exceeded, with the Group delivering underlying EBIT of $496.9 million, up 32 per cent on the FY17 pro-forma or 67 per cent higher than FY17 actual underlying EBIT of $297.2 million.

The Group achieved a statutory net profit after tax (NPAT) for the year of $405.2 million, a $388.8 million increase on the $16.4 million NPAT in the prior year. The improvement in statutory NPAT largely reflects strengthening underlying earnings from the Group's industrial services businesses, supported by positive significant items totalling $83.3 million for the year compared to the $170.7 million loss contributed by significant items in FY17. Also impacting current year statutory NPAT was the consolidation of earnings from Coates Hire following the Group's move to full ownership on 25 October 2017.

REVENUE AND OTHER INCOME

Revenue of $3,207.9 million was up $925.6 million or 41 per cent on the prior year, with the consolidation of Coates Hire revenue from 25 October 2017 accounting for $649.8 million. Product sales improved $109.8 million or 19 per cent, with sales of new and used equipment up $29.5 million and $72.7 million respectively, primarily due to continued growth in demand from WesTrac's construction market customers owing to the strong pipeline of East Coast infrastructure projects. Despite the favourable commodity prices realised by WesTrac's customers, new equipment sales to the mining sector across both Western Australia and New South Wales remain challenging, falling 8 per cent year-on-year but still below the ten-year sales trend as shown in the graph below.

Product support revenue grew $166.7 million or ten per cent on the prior year, led by WesTrac parts sales up $186.9 million or 15 per cent on FY17 reflecting an ageing fleet requiring incremental maintenance.



WesTrac Trading Revenue

Product support Capital sales Sales trend with capital sales averaged over time

AN EMPLOYEE USES AN ORDER PICKER TO COLLECT PARTS AT THE WESTRAC PARTS AND DISTRIBUTION CENTRE IN SOUTH GUILDFORD.

WesTrac parts volumes continued its strong growth, with more than 5.7 million parts lines shipped during the year, surpassing the previous record set in FY17. Partially offsetting the strong growth in parts revenue was a fall in service revenue due to the completion of WesTrac's Boddington and KCGM maintenance and repair contracts.

Revenue from the hire of equipment of $644.4 million represents the consolidation of revenue earned by Coates Hire from the date of acquisition, effectively the part-period 25 October 2017 to 30 June 2018. On a full year stand-alone basis, Coates Hire revenue increased seven per cent year-on-year, reflecting the strong East Coast infrastructure demand.

Revenue from the sale of oil, gas and condensate grew by 28 per cent on the prior year. The growth was attributable to an increase in the realised oil pricing and partially offset by unfavourable movements in the foreign exchange (FX) rate with the AUD/USD FX rate averaging $0.7755 in FY18 compared to $0.7545 in FY17.

Other income of $76.6 million was up 37 per cent on the prior year. The increase was predominantly due to distributions of $14.9 million from the Group's investment in an unlisted China media fund and favourable mark-to-market (MtM) movements on derivatives. Partially negating this was a $3.6 million reduction in dividend income due to portfolio divestments and lower dividend payout ratios from the Group's listed investment portfolio. The listed investment portfolio provided a cash yield of 5.9 per cent (FY17: 6.3 per cent) or 8.4 per cent (FY17: 9.4 per cent) inclusive of franking credits.

Share of results from equity accounted investees increased $309.0 million on the prior year. The improvement is predominantly due to the Group's share of Seven West Media's intangible asset impairment, restructuring costs and onerous contract provisions totalling $374.1 million recognised in FY17.

Also impacting the year-on-year change was a $29.9 million reduction in share of results from Beach Energy largely due to the prior year including a $58 million one-off gain on sale of Beach Energy's assets located in Egypt.

Excluding this, the Group's equity accounted share of Beach Energy is up on the prior year, with SGH increasing its ownership interest during the year from 22.7 per cent to 25.6 per cent. Beach Energy's acquisition of Lattice Energy has more than quadrupled its 2P reserves to 313 MMboe. The transaction delivers Beach Energy a transformational change in operatorship capabilities and expertise, including gas processing and offshore production, with operated production increasing from approximately 50 per cent to 70 per cent and offshore operations expected to account for approximately 50 per cent of production, moving from a single basin onshore operator to five basins both on and offshore.

EXPENSES

Expenses excluding depreciation and amortisation of $2,816.7 million were up $680.6 million on the prior year with the consolidation of Coates Hire expenses from November 2017 accounting for $424.3 million of the increase.

Materials cost of inventory sold and used in product sales and product support increased 13 per cent to $1,684.1 million, consistent with growth in revenue from product sales and support during the year.

Group employee benefits expense increased from $432.1 million to $630.9 million, of which the consolidation of Coates Hire accounted for $173.5 million. The remaining increase is primarily attributable to higher headcount at WesTrac where total full time equivalent (FTE) employees were up eight per cent. The year-on-year growth in employees was largely in chargeable staff, necessary to support the growth in operating activity. Also impacting the increase in employee benefits expense for the year was the recognition of short-term incentives across all the Group's industrial services businesses, the first time since FY12.

Operating lease rental expense increased $40 million to $98.2 million due to the consolidation of Coates Hire's lease expenses. Given the Group's considerable leased property footprint, the new lease accounting standard *AASB 16: Leases* will have a significant impact on the Group's financial results and position on implementation from 1 July 2019.

Depreciation and amortisation expense increased $115.3 million primarily due to depreciation referable to hire fleet assets on acquisition of Coates Hire accounting for $113.6 million of the year-on-year movement.

NET FINANCE EXPENSE

Finance income decreased $3.3 million or 38 per cent primarily due to the receipt of $4.8 million interest from a one-off legal settlement in the prior year. Finance expense grew $21.9 million or 26 per cent primarily due to the $728 million increase in the Group's net debt position following the acquisition of Coates Hire. Also impacting the increase in finance expense for the year was $4.2 million relating to the fair value movement of cash-settled share appreciation rights and share-based payments.

INCOME TAX

Statutory income tax expense for the year of $63.5 million was $36.6 million higher than the $26.9 million incurred in FY17. The current year's income tax expense has been impacted by the partially non-assessable nature of the Group's gain on sale of WesTrac China as well as the derecognition of deferred tax assets referable to both equity accounted and listed investments.

The Group's current tax provision of $3.2 million reflects tax payable for domestic and foreign subsidiaries outside the SGH tax consolidated group (TCG). Notwithstanding this, it is noted that the SGH TCG will utilise all available carried forward revenue tax losses, with the domestic TCG returning to an income tax paying position off the strength of the underlying performance of the Group's industrial services businesses.

Excluding the income tax benefit associated with current year significant items of $9.8 million detailed in Note 3: Significant Items, the Group's effective tax rate of 16.3 per cent is slightly higher than the 13.8 per cent of the prior year, reflecting a reduction in franked dividends received, tax profile of earnings from Coates Hire and non-assessable share of net profit after tax associated with equity accounted investments.

SIGNIFICANT ITEMS

Significant items referable to continuing and discontinued operations contributed a net profit after tax of $83.3 million to the Group's statutory result for the year. The significant items are excluded from the Group's underlying result for the year and are detailed in Note 3: Significant items.

DISCONTINUED OPERATIONS

The sale of WesTrac China to Lei Shing Hong Machinery Limited was completed during the year, with financial close occurring on 31 October 2017. The business contributed a net profit of $10.4 million during the period of ownership. Furthermore, the divestment resulted in a net gain on sale of $74.3 million, comprising a $5.3 million loss on sale of discontinued operations, transaction costs of $0.3 million and $79.9 million for amounts reclassified from the Group's foreign currency translation reserve.

CASH FLOW

The Group's ability to generate strong operating cash flows through the cycle was utilised this year through investment in machine and parts inventory by WesTrac to support future demand and to counteract longer equipment lead times from CAT. We have also elected to reinvest in new fleet in Coates Hire, given the strength of their end market demand, which will support future growth. Also impacting the operating cash flow was a reduction in dividends received from the Group's listed portfolio and equity accounted investments. These factors contributed to the Group's operating cash flow to EBITDA conversion rate falling to 54 per cent, lower than the 84 per cent achieved in the prior year excluding discontinued operations.

Operating cash flow per share of $0.82 (FY17: $1.05) was lower than the previous year.

Net investing cash outflows of $216.1 million represent an increase of $190.6 million on the prior year. The growth in investing outflows were primarily attributable to $117.5 million relating to the participation in an entitlement offer by Beach Energy, increasing the Group's interest by 2.9 per cent to 25.6 per cent as well as net capital expenditure by Coates Hire of $106.9 million. These outflows were partially offset by proceeds received on the sale of WesTrac China of $535.3 million exceeding the $487.8 million paid for the acquisition of Coates Hire during the first half of the year. Net proceeds from the sale of other financial assets during the year of $7.2 million represented a slight improvement on the $2 million of the prior year reflecting net divestments from the Group's listed investments, notably the complete sell down of the Group's 11 per cent interest in Prime Media Group.

The Group's free cash flow position was impacted by the aforementioned investment in working capital by WesTrac as well as net capital expenditure by Coates Hire, reducing to $103.4 million or $0.34 per share.

FINANCIAL POSITION

Trade and other receivables increased $244.4 million, with $183.8 million of the increase due to the consolidation of Coates Hire. Also impacting the movement in trade and other receivables for the year was increased trade debtors at WesTrac given the growth in sales. Positively, WesTrac reduced debtor days sales outstanding (DSO) by 3.1 days, improving to 29.0 days, reflecting diligent management of collections by the business.

Inventories increased $173.9 million, primarily due to higher stock levels held by WesTrac to satisfy project future sales demand and the lengthening of equipment lead times from CAT. Inventory turns at WesTrac WA fell to 3.3 times (FY17: 3.7 times) while WesTrac NSW was broadly consistent with the prior year at 3.3 times (FY17: 3.5 times). Importantly, committed new equipment sales to the mining sector represents 27 per cent of WesTrac's FY19 budget compared to 13 per cent at the same time in FY17, supporting the Group's decision to invest in inventory to support growth.

The reduction in assets held for sale reflects the successful completion of the sale of WesTrac China in October 2017 with the year-end balance reflecting hire fleet assets earmarked

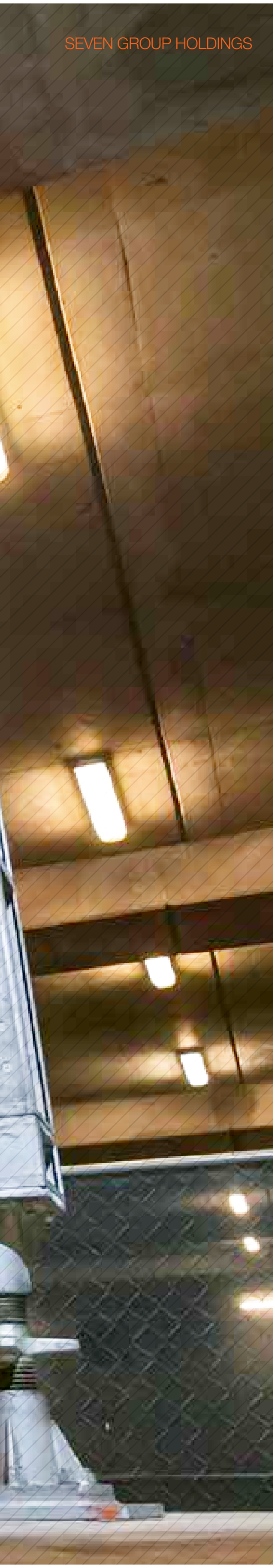
Following is a reconciliation of the Group's statutory to underlying result by segment:

	CONTINUING OPERATIONS								DIS-CONTINUED OPERATIONS
2018 Earnings summary ($m)	**Total Group**	**WesTrac**	**Coates Hire**	**Allight Sykes**	**Media Invest-ments**	**Energy**	**Other Invest-ments**	**Corp.**	**WesTrac China**
Statutory EBIT	**570.4**	**174.0**	**144.2**	**2.9**	**97.5**	**49.2**	**40.4**	**62.2**	**17.2**
Add: unfavourable significant items									
Impairment – non-current assets	40.5	29.2	–	–	0.6	5.7	5.0	–	–
Share of equity accounted investees' significant items	20.0	–	–	–	3.1	16.9	–	–	–
Restructuring and other costs	1.8	–	1.4	0.1	–	–	–	0.3	–
Mark-to-market on derivatives	1.1	–	0.9	–	–	–	–	0.2	–
Less: favourable significant items									
Gain on sale of assets and derivatives	(78.8)	–	–	–	–	–	(4.2)	(74.6)	–
Impairment reversal – SWM equity	(28.6)	–	–	–	(28.6)	–	–	–	–
Revaluation of equity interest – Coates Hire	(14.5)	–	(14.5)	–	–	–	–	–	–
Mark-to-market on derivatives	(5.1)	(0.5)	–	–	–	–	(0.8)	(3.8)	–
Share of equity accounted investees' significant items	(2.6)	–	(2.6)	–	–	–	–	–	–
Other items	(7.3)	–	–	–	–	–	(7.3)	–	–
Total significant items – EBIT	(73.5)	28.7	(14.8)	0.1	(24.9)	22.6	(7.3)	(77.9)	–
Segment EBIT	**496.9**	**202.7**	**129.4**	**3.0**	**72.6**	**71.8**	**33.1**	**(15.7)**	**17.2**

Significant items ($m)	**2018**	**2017**
Gain on sale of assets and derivatives	78.8	1.9
Impairment reversal – SWM equity	28.6	128.4
Revaluation of equity interest – Coates Hire	14.5	–
Mark-to-market of derivatives	4.0	1.9
Impairment – S3 Program costs	(29.2)	–
Share of equity accounted investees' significant items	(17.4)	(303.3)
Impairment – other non-current assets	(11.3)	–
Restructuring and other costs	(1.8)	(4.8)
Other items	7.3	0.4
Significant items (continuing operations) – EBIT	**73.5**	**(175.3)**
Net finance income	–	4.8
Tax benefit relating to significant items	9.8	1.3
Significant items – NPAT	**83.3**	**(169.2)**
Statutory NPAT	**405.2**	**46.2**
NPAT excluding significant items	**321.9**	**215.4**

Coates Hire have moved beyond general rental, providing bespoke engineered propping solutions with a MEGABrace to support a 1,000t crane through seven floors.

KELVIN SEETO
PRODUCT SPECIALIST – STRUCTURAL PROPPING, LIFT & SHIFT



for disposal by Coates Hire.

Investments accounted for using the equity method decreased $66.5 million to $1,070 million. The reduction is largely attributable to Coates Hire becoming a wholly-owned subsidiary, offset by the Group increasing its interest in Beach Energy to 25.6 per cent following the take-up of its full entitlement and sub-underwrite of the company's institutional and retail offer. The additional investment solidifies the Group's position as Beach Energy's largest shareholder and enhances the Group's exposure to the strong Australian East Coast gas market. At 30 June 2018, it is noted that the market value of the Group's investment in Beach Energy of $1 billion is $526.1 million above its carrying value, demonstrating the Group's ability to execute strategic transactions and drive shareholder value. In addition to the equity accounted share of profit and receipt of dividends, the current year movement benefitted from a $28.6 million impairment reversal referable to Seven West Media due to a 17 per cent uplift in its share price, closing at $0.835 at 30 June 2018.

Non-current other financial assets decreased $132 million to $466.8 million. The reduction is largely attributable to unfavourable mark-to-market (MtM) movements of $121.2 million and realised losses of $25.7 million on the Group's listed portfolio. Given the designation of these investments as financial assets at fair value through other comprehensive income, both unrealised and realised losses remain in the Group's fair value reserve, consistent with the requirements of *AASB 9: Financial Instruments*.

Property, plant and equipment (PP&E) increased $675.7 million and was attributable to the rental hire fleet and PP&E associated with the acquisition of Coates Hire.

Producing and development assets increased $8.3 million to $222.2 million. The increase was predominantly due to new drilling activity leading to an increase in the carrying value of the Bivins Ranch oil and gas field in Texas in Australian Dollar terms given the favourable movement in the closing AUD/USD FX rate, with a corresponding increase reflected in the Group's foreign currency translation reserve.

Exploration and evaluation assets of $219.6 million relate to the Group's 15 per cent interest in the Crux LNG development project in the Browse Basin, with the Petroleum Retention Lease successfully renewed for a further five years from February 2018. Crux has a likely pathway to market which is expected to see first production in 2024 / 2025 via ullage in existing processing facilities proximate to the project. With gas being a transitional baseload energy source in Asia, the Crux Joint Venture is reaching a critical milestone and is expected to take a final investment decision (FID) during FY19. The year-on-year decrease in exploration and evaluation assets includes an amount of $5.7 million relating to the impairment of the WA-377P Echuca Shoals exploration permit given uncertainty regarding the viability of the project.

Intangible assets increased $1,161 million to $1,617.7 with $1,181.8 million attributable to the goodwill and fair value of brand names recognised on acquisition of Coates Hire. Also impacting intangible assets for the year was a $29.2 million impairment of capitalised costs to date relating to Phase 2 of WesTrac's S3 Program. The write-off follows the Group's decision to terminate its engagement with SAP as prime systems integrator during the year. The Group could not gain comfort on the system integrator's ability to successfully implement their proposed solution and was unwilling to jeopardise its parts and service business. The Group is now focussed on implementing technology enhancements to capture opportunities for sales force optimisation, time capture and quote to cash.

Trade and other payables increased $138.2 million. The consolidation of balances due to the acquisition of Coates Hire contributed $117.2 million with the balance largely due to parts inventory purchases by WesTrac. Current and non-current deferred income increased $13.2 million primarily due to growth in machine slot fees as customers look to secure equipment given the longer lead times from Caterpillar.

Total current and non-current interest bearing loans and borrowings increased $660.1 million. The movement reflects the debt associated with the acquisition of Coates Hire, with the Group successfully repaying the company's syndicated and leasing facilities totalling $1,033.6 million using multiple funding sources, namely proceeds from the equity raise and convertible note issuance as well as draw downs from the Group's corporate syndicated facility. The issuance of the Singapore Exchange listed convertible notes, carrying a face value of $350 million and coupon rate of 2.2 per cent, marks the first issue of a hybrid debt instrument by an Australian issuer in the last two years. Furthermore, the note issuance provides the Group with diversification of its funding sources as well as increased tenor, demonstrating the Group's ability to execute complex capital management transactions.

Net deferred tax liabilities of $259.3 million represent an increase of $136.9 million on the prior year. The increase is attributable to the net deferred tax liabilities and technical goodwill recognised on acquisition of Coates Hire of $59.2 million as well as the derecognition of deferred tax assets on the Group's listed investments and utilisation of carried forward revenue and capital tax losses.

Total current and non-current derivative financial instruments decreased $40.8 million, largely reflecting the recognition of the embedded derivative within the convertible note of $60.6 million due to the Company currently having insufficient placement capacity to issue ordinary shares upon conversion of the notes. Accordingly, the fair value of this embedded derivative will subsequently be reclassified once shareholder approval is received, expected to be at the Company's 2018 Annual General Meeting in November 2018. The convertible note embedded derivative was partially offset by fair value movements in foreign exchange contracts used to hedge WesTrac's USPP notes.

Shareholder equity increased $410.8 million as the Company issued 35 million shares from an institutional placement and retail share purchase raising net proceeds of $385.4 million. Also impacting the movement in equity for the year was unfavourable MtM movements on the Group's listed portfolio and the recycling of foreign currency translation reserves to the income statement on sale of WesTrac China.

NET DEBT AND CAPITAL MANAGEMENT

Net debt increased by $728 million to $2,036.1 million at 30 June 2018 primarily due to the acquisition of the remaining 53.3 per cent of Coates Hire of $487.9 million, the increased investment in Beach Energy of $117.5 million and the $1,033.6 million of Coates Hire net debt recognised at acquisition. These cash outflows were offset by the net proceeds received from the sale of the Group's operations in China of $535.3 million and the share placement totalling $385.2 million. In addition, net capital expenditure of $149.7 million and ordinary and TELYS4 dividends totalling $148.7 million was partially funded by net operating cashflow totalling $253.1 million.

As a result of the increase in net debt and unfavourable MTM movements in the Group's listed portfolio, the Group's gearing ratio increased to 41.5 per cent at 30 June 2018 (FY17: 35.0 per cent). At 30 June 2018, the Group had cash and available undrawn debt facilities totalling $515.6 million, down $466.9 million on the prior year excluding WesTrac China. Furthermore, approximately 47 per cent (FY17: 60 per cent) of the Group's drawn debt facilities is fixed with average remaining tenor of 4.0 years.

During the year, the Company raised net proceeds of $385.2 million through an institutional share placement and share purchase plan increasing liquidity in its shares and strengthening its balance sheet. In addition, the Company further diversified its capital base through the issue of seven-year convertible notes with a face value of $350 million. Subsequent to year end, the Group successfully concluded the amendment and extension of its corporate syndicated loan facility, increasing its limit $400 million to $1,300 million across three and five year tranches of $400 million and $900 million respectively. The amended facility provides the Group with increased funding flexibility and capacity, extending facility duration to 4.4 years from the current 3.4 years and reducing the refinancing risk that was latent in 18 months.

The Group's ordinary and TELYS4 share buy-back program concluded during the year with no shares bought back given the strong appreciation in the price of both classes of shares. SGH continues to pay fully-franked dividends on both its ordinary and TELYS4 shares. The final ordinary dividend remained at $0.21 per share, taking the Group's full year dividend payout ratio to 42 per cent of underlying EPS (FY17: 61 per cent).

It is noted that the TELYS4 shares have not enjoyed the same market re-rating as ordinary shares. Further exacerbating this dislocation to fair value was the proposed amendments to the franking system which may potentially

WESTRAC PLANT MECHANICS MATTHEW AMM, JAMIE-LEE SIMPSON AND MICHAEL WOODHEAD IN THE WELSHPOOL WAREHOUSE WHERE THEY HAVE BEEN WORKING ON THE CAT 793F CHASSIS PROGRAM.

reduce the ability for individuals and self-managed superannuation funds (SMSFs) to obtain a cash refund for excess franking credits if enacted. The resultant ten per cent decrease in price during March 2018 led to TELYS4 shareholders approaching the Group to provide a potential liquidity event. The Group has therefore proposed an amendment to the terms of the TELYS4 shares, supported by an offer to convert the shares at a 15 per cent premium to prevailing market value should TELYS4 holders support the proposed amendments.

A vote of TELYS4 shareholders will be held on 24 September 2018 to determine if the required 75 per cent vote supports the amendments. A full explanatory memorandum (EM) and independent expert's report (IER) are available on the SGH website which fully details the proposed amendments as well as the pros and cons of the offer to TELYS4 shareholders. Should it be approved, the transaction will be earnings per share (EPS) accretive for ordinary shareholders and increase the free float by up to five per cent, increasing the index weighting on critical ASX and potentially MSCI indices.

The Group successfully concluded the amendment and extension of its corporate syndicated facility to $1.3 billion, providing balance sheet flexibility.

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

The Group will continue to evolve over time as we pursue our objective and remain vigilantly focused on execution.

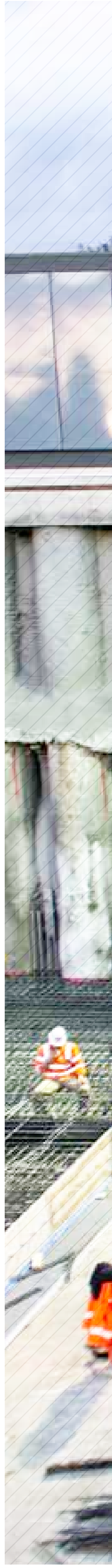
OUTLOOK AND FUTURE PROSPECTS

WesTrac continues to benefit from strong parts and components performance, reflecting the growing production being achieved by an installed fleet that is expected to continue ageing. Service revenue, with qualified skilled labour becoming increasingly scarce, is expected to grow, reflecting customers' reliance on WesTrac to perform maintenance. Product sales to the mining market are anticipated to strengthen as major miners blend fleets to maintain their average age and as greenfield opportunities come to market. 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. The construction market is similarly expected to strengthen off the back of resurgent infrastructure works across the country.

With a strengthening revenue outlook from both transport and rail infrastructure projects, Coates Hire's operating leverage is expected to continue to improve gross margin. Further operating efficiencies are being targeted from critical improvement projects across transport, run-up and service checks, turn-around-time and enhancements to the business' existing B2B digital platform. The combined impact of these initiatives will deliver improved financial performance for the upcoming year.

In Energy, earnings from Beach Energy are expected to increase, reflecting their growth in production from both existing and Lattice assets, supported by improved realised pricing of both oil and gas in Australian Dollar terms. Seven West Media's refreshed programming schedule, the AFL Finals, and the launch of Cricket, will help maintain their ratings leadership in what is now a growing advertising market. They maintain focus on revenue and ratings while delivering on their cost-out targets resulting in enhanced profitability. Their free cash generation is expected to further reduce leverage and strengthen their balance sheet to provide greater flexibility and deliver more value in an evolving media sector.

Taking into account the above factors, the Group anticipates FY19 underlying EBIT to be up approximately 25 per cent on FY18 on a continuing operations basis.



INDUSTRIAL SERVICES

WesTrac

Revenue growth of 11% year-on-year off strong product support growth in sales to the construction sector.

EMPLOYEES SORT PARTS OFF THE CONVEYOR BELT AS PART OF THE GOODS-TO-PERSON SYSTEM AT WESTRAC SOUTH GUILDFORD.

WesTrac is one of the world's leading Caterpillar (CAT) dealers specialising in the supply and maintenance of CAT industrial equipment servicing the mining, construction, and transport industries of WA, NSW and the ACT. Its leading status is achieved through a commitment to excellence from its over 3,000 employees that are spread throughout 58 offices and branches across these three regions.

WesTrac's customers are some of Australia's leading companies who provide raw materials that help drive the global economy and build the infrastructure that supports the domestic economy. WesTrac partners with CAT, one of the world's leading original equipment manufacturers of mining and construction equipment, to provide market-leading equipment solutions and the essential after-sales service and support that ensures the operations of our customers continue to run seamlessly. The CAT value proposition provides a compelling offering and a huge advantage for WesTrac customers who enjoy the benefits of advanced technology and greater efficiencies than alternative products, built on more than 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 risk factors and minimising wear and tear on equipment.

As one of the largest CAT dealers in the world, WesTrac sets the benchmark for the whole of life management solutions to make the equipment ownership and operation as easy, profitable and safe as possible. WesTrac's commitment to technological innovation delivers value-added solutions and benefits to customers, the industry and the wider community.

Execution of this commitment to excellence comes together each day and WesTrac is proud of its performance through FY18 and have showcased some of the more notable achievements from the past 12 months.

WesTrac ($m)	2018	2017	% Change	$m Change
Product sales	632.7	537.3	18	95.4
Product support	1,819.5	1,666.4	9	153.1
Other revenue and other income	12.4	10.8	15	1.6
Total revenue and other income	**2,464.6**	**2,214.5**	**11**	**250.1**
Segment EBIT	**202.7**	**164.3**	**23**	**38.4**

FY18 HIGHLIGHTS

WesTrac supported a large coal customer, Yancoal to commission a new CAT longwall into its Moolarben operations following a detailed off-site build program, compatibility trial, dismantle and on-site commissioning process that was completed on schedule and within budget in late 2017. The longwall successfully completed its first coal panel on 18 June 2018 cutting a total of 3.65 million tonnes of mine coal, completing 2,646 longwall shears and travelling approximately 1,000 km in the seven months of near-continuous operations. A longwall relocation is currently taking place while the overhaul and repair of some of its major components are underway at WesTrac's Mount Thorley underground coal workshops. The next longwall start-up is scheduled for August 2018, and WesTrac looks forward to continuing its customer support.

Upgrades have been made across WesTrac's operations in WA to drive efficiency and optimise velocity through its workshops including the upgrade of the high velocity oxygen fuel (HVOF) system in South Guildford to include a robotic arm and handling capability. The introduction of the new HVOF system, extraction system and spray tooling has improved uptime and reliability, velocity of throughput, and operator safety. The investment has met customer demands and provides a competitive advantage over other providers, with the majority of mining customers preferring HVOF treatment as their preferred option due to its high wear and corrosion resistant properties, as opposed to the use of hard chrome.

WesTrac customers enjoy the benefits of advanced technology.

WesTrac supports some of Australia's largest mining customers with extensive rebuild programs designed to extend the life of their assets. Peabody's Wilpinjong Mine, located in the Mudgee region of NSW, engaged WesTrac to complete an extensive rebuild of nineteen 789D off highway mining trucks in FY18. The machines were due for their first major rebuild after 20,000 hours of operation and the scope included a full machine strip down and rebuild of components through WesTrac's state of the art Component Rebuild Centre, located in Tomago. To date, nine trucks have been completed, with the remaining machines scheduled for rebuild throughout FY19. Through service excellence and efficiency improvements, the program of work has delivered a 15 per cent reduction in the total end to end timeframe since completing the first rebuild. In addition, customer feedback has been positive. The strength of this relationship and the delivery program has led to commissioning of an additional four ancillary machine rebuilds for WesTrac.

Evidence of the ongoing benefit that continuous improvement initiatives have been able to deliver to WesTrac and its customers was demonstrated in the recent C175 engine rebuild program. Through the application of the Caterpillar Production System (Lean) methodology, WesTrac's engine group in WA introduced a new lane build process combined with standard work practices and a new process for procuring and allocating parts to each engine rebuild.

Following 12 months of dedicated continuous improvement, from a starting year average of five engine rebuilds a month, the team has been able to increase capacity through the component rebuild centre to 12, with an expected peak capacity of 14.

In achieving this improvement, the team was able to bring the average turn-around-time of an engine rebuild down from approximately 60 days to 40 days. It is this type of continuous improvement from these programs that has seen WesTrac become a global leader in the CAT dealer network for excellence in operational execution. Furthermore, WesTrac has won praise from its largest mining customers who have benefitted from faster turnaround times and greater visibility through the rebuild process.

INNOVATION AND TECHNOLOGY

WesTrac supported significant growth of the CAT AHS solution in FY18, increasing active fleet numbers to over 120 machines. Improvements in AHS Installations resulted in 50 per cent reduction in downtime and nomination for a safety award at a customer site for development of safer work tooling and processes. Development of further proprietary capability to improve operational quality and efficiency is underway, with the fitment of newly designed enclosure reducing ancillary machine installation time by as much as 60 per cent. WesTrac will capitalise on these improvements into FY19 to roll out an additional 60 to 80 AHS machines, expanding the number of active sites from two to four in WA, more than any other region globally.

In addition, the growth of autonomous technology on ancillary equipment continues to provide ongoing revenue opportunities for WesTrac as it continues to be the largest CAT dealer supporting customers to take their mining operations to new levels of productivity. WesTrac recently undertook two significant AHS conversion projects in NSW using CAT's Command product as a viable solution for coal mining customers. A number of D11T tractors were converted to semi-autonomous using integration with the existing smart circuits on board the machine, allowing a single operator to now manage the control of three machines remotely. This was the first install of its kind in Australia, with remote production now exceeding manned operations.

FACILITIES

WesTrac has completed the build of its new operational facility in Casula, south west of Sydney, with the first full day of operations held on 16 July 2018 following relocation from Parramatta. At almost a 100 per cent increase in warehouse capacity and the adoption of warehouse automation, the new facility will ensure parts order fulfilment times are reduced, enabling customers to optimise their production. With a 3,000 square metre warehouse and a vertical parts carousel that can hold up to 7,900 part numbers, the facility aims to operate at 200 lines per hour.

AN AERIAL PHOTO OF THE NEW PURPOSE-BUILT WESTRAC CASULA FACILITY IN SYDNEY'S SOUTH WEST, WHICH OPENED JULY 2018.

Coates Hire

Disciplined approach of management to drive operational excellence through data, fleet utilisation, transport optimisation

Coates Hire is well positioned to take advantage of the strong infrastructure demand. It remains dedicated to making a key difference, providing solutions to our customers and helping build a better future.

JEFF FRASER
COATES HIRE CEO

Coates Hire is Australia's largest general equipment hire company offering more than 21 categories of general hire and specialist equipment to customers across a range of industries including engineering, infrastructure, construction, mining and resources, maintenance, government, manufacturing and major events. It operates throughout Australia along with a number of branches in Indonesia and serves some of Australia's largest businesses. Coates Hire prides itself on having the right equipment solutions to support customers while delivering sustainable returns to the Group.

ACQUISITION OF THE REMAINING INTEREST IN COATES HIRE

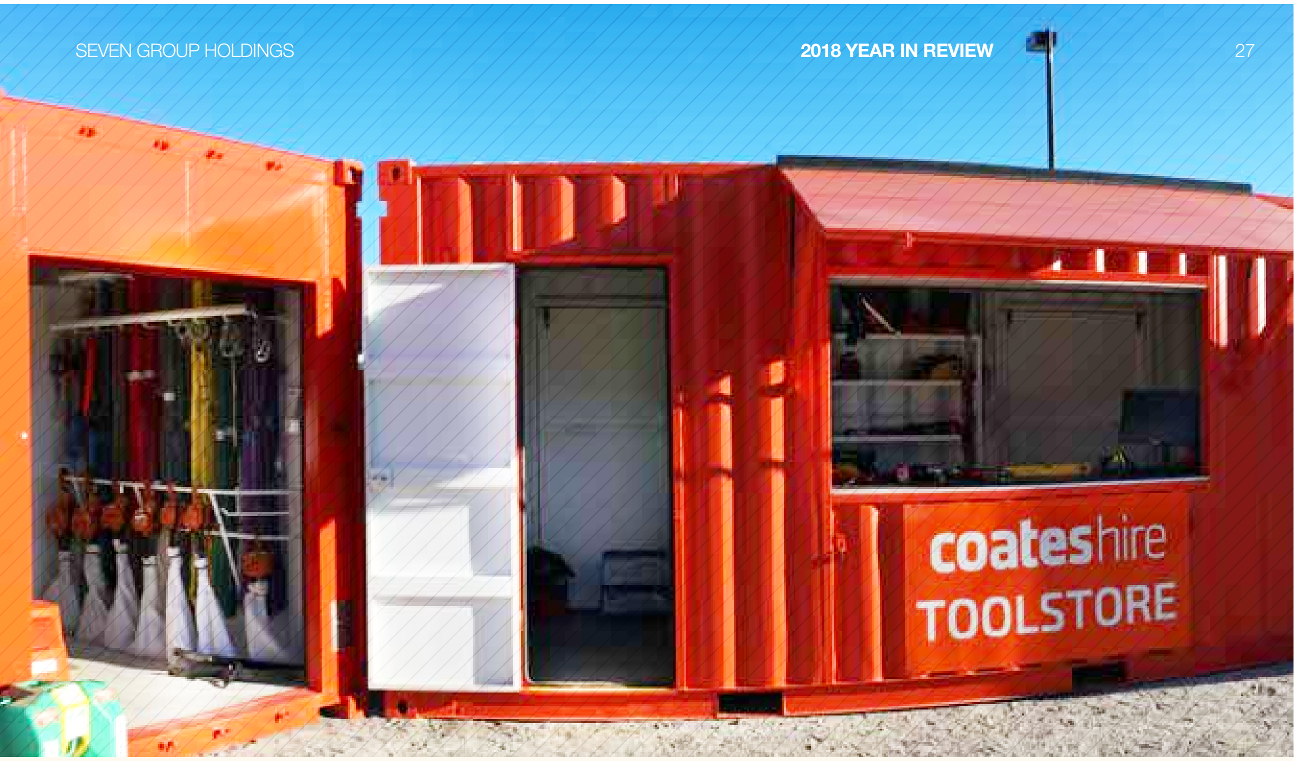
In September 2017, the Group announced the acquisition of the remaining 53.3 per cent of Coates Hire for $517 million. The move to full ownership has allowed the Group to increase exposure to the industrial services sector and in particular the strong infrastructure activity on the East Coast of Australia. The optimisation of this ownership structure and the further focus on operational efficiencies between WesTrac and Coates Hire will assist in improved customer solution offerings. The Coates Hire team is committed to delivering sustainable outcomes and leading the rental industry to deliver best in class fleet solutions across all its chosen markets. The introduction of category managers into the business will bring a renewed focus on better understanding the target markets of the business.

FY18 HIGHLIGHTS

FY18 has been a year dedicated to executing against improvement programs established in FY17 designed to enhance the customer experience and deliver operational excellence. These programs are aimed at executing day-to-day activities smarter, better and easier.

The Coates Hire in-house training division, together with its partner DuPont, have helped move the company closer to achieving its Zero Harm target. While the business has seen significant improvement in its safety results over the past decade, the focus remains on empowering frontline leaders to drive a safety culture and minimise the risk of harming employees, contractors and the environment. People are critical to the ongoing success of the Coates Hire business and its ability to grow in the future. The team at Coates Hire are passionate about serving Australia and providing customers with the knowledge, advice and equipment needed to make things happen. As such, Coates Hire will continue to invest in the capability within its teams that differentiates Coates Hire as the market leader.

Providing a world-class customer experience remains at the heart of the Coates Hire business. The ability to provide customers with deep expertise, highly personalised service and efficient maintenance support, are central to providing true value. FY18 has seen closer collaboration between the sales and operations teams. This includes the



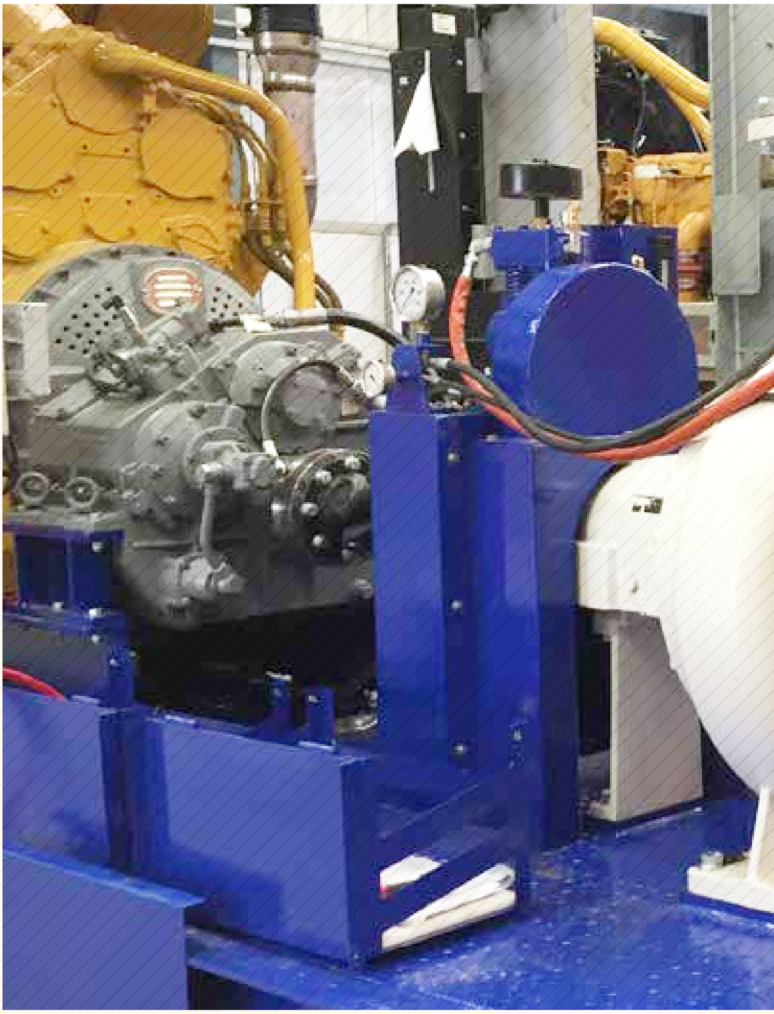
COATES HIRE IS A LEADING PROVIDER OF MOBILE TOOL STORES USED TO SUPPORT INDUSTRIAL SHUT-DOWNS.

establishment of customer support centres across the national footprint to provide greater operational efficiency, consistency of process and increased fleet visibility. This will ultimately reduce the number of touch points for customers and deliver a better customer experience.

Coates Hire's improvement programs aim to deliver operational efficiency and achieve sustainable margin growth. Optimising the fleet and managing asset utilisation over the life of the asset, together with strong cost discipline, ensures the business can manage the cost of ownership better than its competitors. The Turn-Around-Time (TAT) program is focused on reducing the length of time between an asset coming off-hire from the customer, to being available for the next hire. This will increase the utilisation of the existing fleet, help to better meet customer demands and ultimately improve operating margins.

The program, designed to identify inefficient processes and develop solutions to improve operational effectiveness, will help the maintenance teams better understand the data, make informed fleet decisions and better connect the business to Coates Hire customers. To date, the program has delivered improvement in fleet availability of three per cent while driving an increase in asset utilisation of the existing fleet to 59 per cent. The business is also looking for ways to improve the efficiency in the delivery function. In FY18, Coates Hire invested in technology to optimise deliveries and pick-ups across the business and target 'on-time, in-full' effectiveness. Optimising internal truck utilisation while working with external transport partners to deliver safer transport solutions, will deliver long-term sustainable improvement and enhance the overall transport performance.

Coates Hire's investment in its digital presence and new technology is critical to the business achieving its long-term growth targets. To date, new technology such as the price guidance tool have enabled front line operators to make real-time pricing decisions for customers while increasing compliance with Coates pricing strategy. Coates Hire's telematics pilot will design a business solution specific to the rental industry and deliver insights to improve productivity and reduce overall costs. To deliver true value, the business is committed to working in an agile environment and continuously looking for ways to use digital technologies to make all interactions with Coates Hire simple, fast and consistent.



AllightSykes

Resurgent capital sales supported Allight's return to profitability

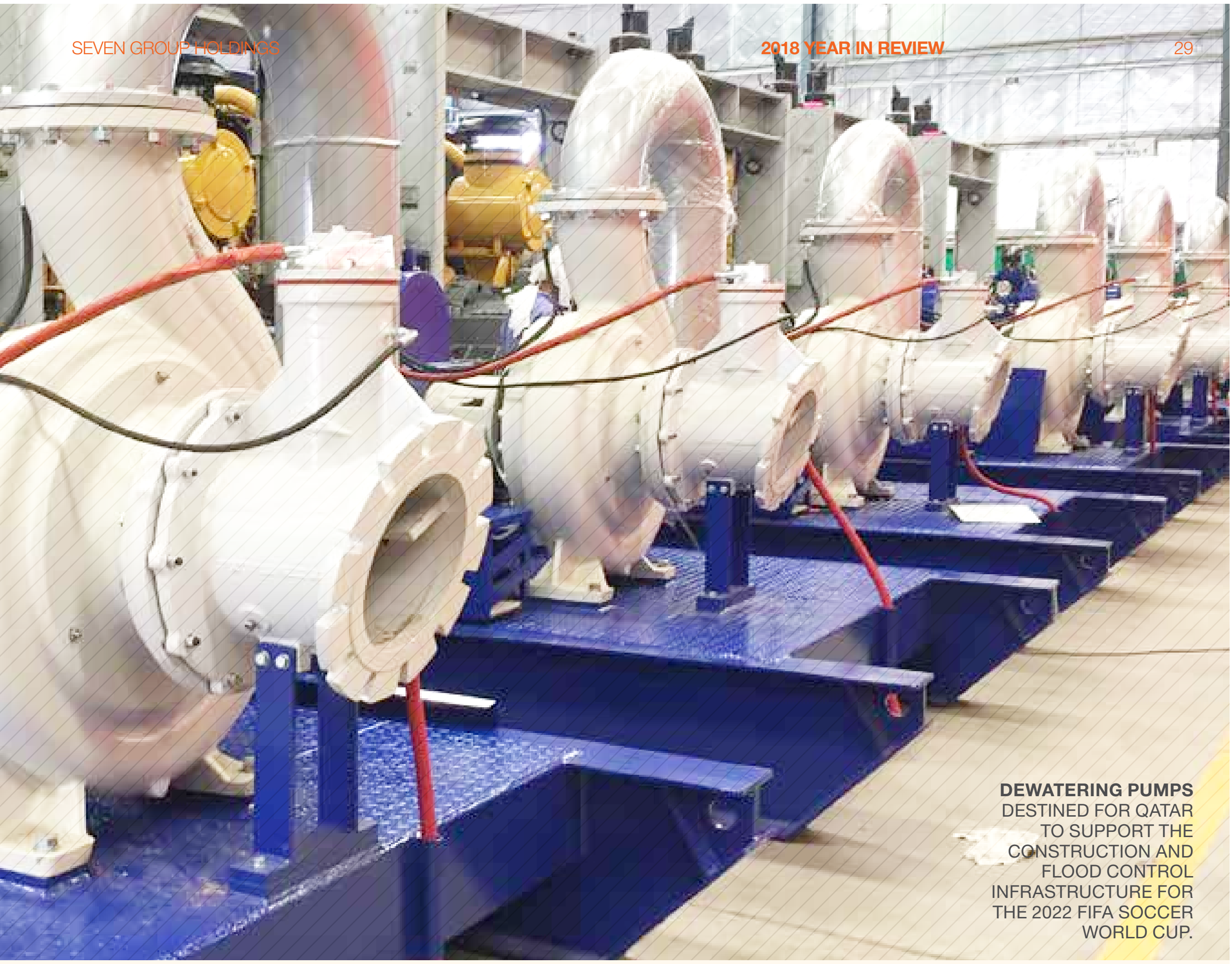
AllightSykes is a market leader in the manufacture and distribution of lighting, dewatering and power solutions primarily for the mining, construction and industrial sectors. The company delivers innovative engineered solutions for clients in Australia and internationally, including New Zealand, South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

Throughout the course of FY18 AllightSykes was able to provide a number of customers with project-specific solutions that showcased its expertise across the sectors it specialises in.

FY18 HIGHLIGHTS

AllightSykes was successful in its bid for the Ashghal Project which followed 18 months of preparation, working with Petrofac, a Qatari Oil & Gas and Civil Engineering solutions provider, to supply dewatering and flood control equipment to Ashghal, the Public Works Authority of Qatar. This equipment, consisting of 183 diesel and hydraulically driven pumps will support the infrastructure development for the 2022 FIFA World Cup to be held in Qatar. The contract was awarded in April 2017 for delivery at the end of the FY18. Working with component suppliers globally, including CAT and Perkins, the project team designed, built and dispatched 16 pump models for the unique applications and conditions that would be encountered in Qatar. Although often thought of as a dry, desert environment, when it rains, it is often a torrential downpour and flooding frequently occurs as water does not easily drain away into the desert sand. Ensuring that these weather events do not compromise the construction activities or the event itself is key in the country's planning for this global sporting event.



DEWATERING PUMPS DESTINED FOR QATAR TO SUPPORT THE CONSTRUCTION AND FLOOD CONTROL INFRASTRUCTURE FOR THE 2022 FIFA SOCCER WORLD CUP.

Throughout the course of FY18 AllightSykes was able to provide a number of customers with engineered project-specific solutions.

ENERGY

FY18 has seen the strategy and patience of the Group's investment in energy assets rewarded as the industry starts to emerge from the more recent years of challenged oil prices and where the shortage of East Coast domestic gas has continued to drive prices to historically high levels. During the year the value of the Group's interest in Beach Energy has grown significantly within the Energy portfolio, alongside the Group's other production, development and exploration interests.

The energy portfolio comprises:

- 25.6 per cent equity-accounted investment in the ASX-listed company Beach Energy Limited – Australia's largest onshore oil producer and a key supplier to the Australian East Coast gas market with operated and non-operated, onshore and offshore oil and gas production across five basins;
- 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 Longtom gas and condensate field in Bass Strait, Victoria, with developed and undeveloped conventional resources, existing infrastructure, and the Gemfish exploration prospect;
- 100 per cent interest in the WA-377P (Echuca Shoals) exploration permit, also located in the Browse Basin; and
- 11.2 per cent interest in the Bivins Ranch oil, gas and non-gas liquids producing asset operated by Apache Corporation in the Texas Panhandle region of the USA.

During FY18 the energy sector saw a resurgence in global oil and LNG prices, coupled with strong East Coast gas prices and a reduction in volatility compared to prior years. This return to a more stable pricing environment has supported the Group's positioning of both its investment in Beach Energy and the support shown during Beach's successful acquisition of Lattice Energy, culminating in a significant uplift in the value of the Group's energy investments.

Additionally, Crux is well placed to deliver value to the Group as the work plan progresses towards FEED and first gas in 2024 / 2025, ahead of many other WA backfill projects currently in the pipeline. The Group is also taking steps for Longtom to deliver 80 PJ in uncontracted gas into a tight East Coast gas market. The positioning of these two assets supports the long term view taken at the time of the Group's initial investment.

Beach Energy is now a leading mid-cap E&P company following its acquisition of Lattice

FY18 HIGHLIGHTS

FY18 was a standout year for Beach Energy, with the company continuing to perform well from its existing operations, as well as adding the Lattice operations in January 2018 to become Australia's leading mid-cap oil and gas producer and explorer.

The uplift in earnings from Beach Energy in FY18 was derived from record production volume following the Lattice acquisition, higher realised oil and gas prices in Australian Dollar terms, a highly successful exploration and development drilling program, as well as the disciplined operating cost efficiencies delivered by the management team across all assets. Beach Energy is projecting the strength in production volume to continue in FY19.

The Crux Project is located in the Browse Basin, approximately 600km north of Broome in WA and 160km north east of Shell's Prelude FLNG facility. A five-year renewal of the retention lease was awarded during the year for the continuation of development planning. Further refinement of the development concept was undertaken during the year, with the current concept being a Not Normally Manned (NMM) platform containing minimal processing facilities, utility systems and accommodation. It will be operated remotely from Prelude and only requires periodic maintenance visits, significantly reducing operational safety exposure to staff. It will be tied back to Prelude via an export pipeline. An initial five producing wells are proposed to be drilled. The concept selection has delivered promising reductions to the expected capital cost of the project while concurrently enhancing the operability of the project. In addition, Crux is well placed from a development timing perspective, expected to deliver first gas a time when the current market LNG supply forecast is in decline. As such, the Group is looking forward to Crux progressing through its work plan towards FEED and FID.

Commercial discussions are ongoing as the Group seeks to bring Longtom gas to market and provide a framework for further gas development from identified opportunities, including the Gemfish exploration prospect.

Earnings from the Bivins Ranch producing asset were ahead of expectations, due to a combination of the stronger oil price and production from new drilling activity during the year. Bivins Ranch generated $1.9 million of EBIT with net production of 108,000 barrels of oil equivalent (Boe) at an average realised oil price of US$55/bbl.

MEDIA

Seven West Media

- Strong ratings recovery
- Secured the #1 summer and #1 winter sports
- Net cost reductions of $21m exceeded target

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. The Group owns a 41 per cent interest in SWM, home to many of Australia's best performing media businesses, including the Seven Network, Pacific Magazines, West Australian Newspapers, and Yahoo7.

Throughout the year, SWM continued its investment in creating and securing the best local and global content and produced a record amount of premium long-form video. At the same time, SWM continued the transformation of the business, accelerating cost-out programs, expanding and enhancing its digital and data capabilities and driving radical change of the operating model.

Seven continues to be Australia's number one television destination, winning for a 12th consecutive year, with 38.1 per cent ratings share for FY18. After a soft first half, the re-energised schedule propelled SWM's suite of TV channels to set records in the second half of the financial year, and secured the leading commercial share of the metro TV advertising market (41.6 per cent).

SWM is focused on implementing three key priorities as part of their long-term growth strategy.

1. Focus on the Core

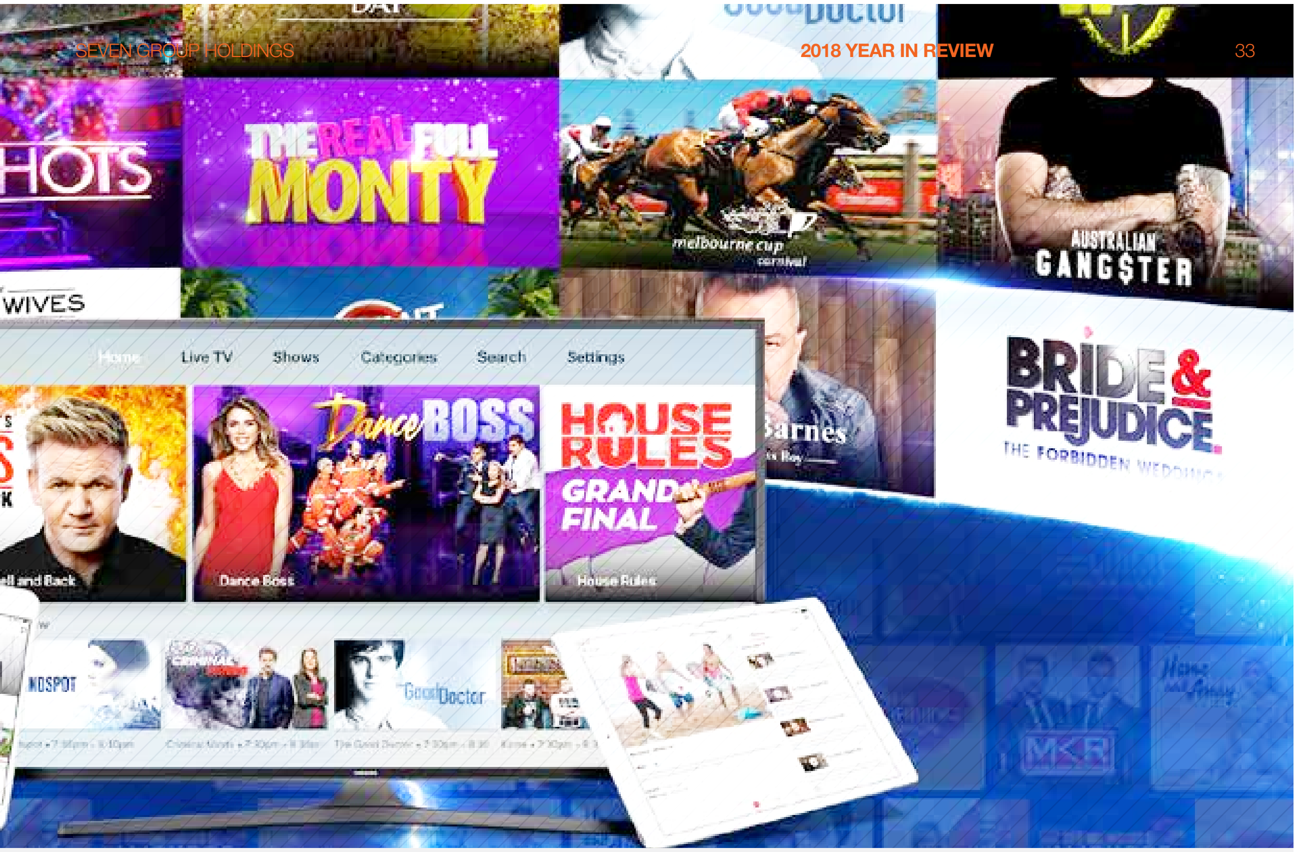
- Improve ratings and revenue performance
- Grow returns on content investment
- Create, secure and curate the best local and international content
- Maximise the return on (owned) content investment through every window and overseas sale

2. Transform the Operating Model

- Deliver on operating cost saving targets
- Drive efficiencies in existing assets
- Partner with competitors in non-competitive areas to improve profitability
- Evolve to a leaner & more agile operating model while protecting content quality

3. Grow new Revenue Streams

- Drive greater digital adoption and yield
- Introduce new content monetisation formats
- Invest in data, automation and targeted advertising to maximise inventory yield
- Invest in adjacent verticals where SWM can leverage the power of their assets



FY18 HIGHLIGHTS

This year SWM signed an historic six year agreement with Cricket Australia that sees Australia's only truly national game back on Seven.

The deal includes:

- 43 of the 59 Big Bash League matches, including all marquee matches and finals;
- All home international tests, including the 2021-22 home Ashes series;
- 23 Women's Big Bash League matches, including all the key games and finals; and
- Women's International One Day International and T20 matches

In total, Seven has secured over 400 hours of premium sport across the summer – more than double that of the Australian Open, at a significantly lower cost per hour. In addition, this will be the first time that a single free-to-air network will carry both the Big Bash League and Australian Test Cricket, meaning Seven can cross-promote and monetise the two most popular forms of cricket in a way never before possible.

SWM will use the unrivalled marketing power of their news and entertainment program schedule to drive new audiences to cricket, strengthening their ratings position in rugby league markets, securing premium revenue in off-peak periods, driving bigger engagement and delivering a dominant share of viewing throughout the summer.

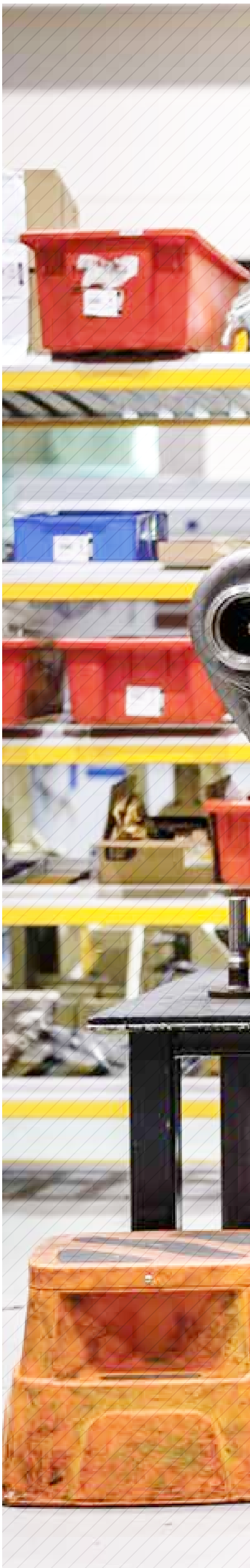
Together with the AFL, Seven is now the home of Australia's number one summer and winter sports. With the AFL locked up until 2022, and the Cricket until 2024, this will underpin SWM's transformational business strategy for years to come.

Seven is Australia's favourite television network, and Channel 7 is Australia's favourite channel. Both have now been number one for 12 consecutive financial years. The strength and depth of their programming runs right across the schedule, and across the screens of Seven.

Seven has leadership in breakfast and morning television, news and primetime and strong franchises, the biggest sporting events and a deep slate of new programs.

Their revitalised schedule has resonated deeply with Australians. After 20 weeks of the 2018 calendar year ratings – the half way mark – SWM has delivered outstanding results right across its suite of channels and continue their ratings dominance.

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 the Group as well as general commercial and economic risks. Such risks may, either individually or in combination, affect the future operating and financial performance of the Group and the value of SGH shares.

RISK MANAGEMENT

The Group 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 Group's economic sustainability, the Group maintains a Strategic Risk Assessment register that identifies, assesses, ranks and updates the main strategic risks, including material business risks, and a record of the internal risk controls implemented by management 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 Group executive. Where appropriate, external advisors are appointed to assist in managing the risk. The composition of the Board has also been specifically considered to ensure that relevant expertise is represented at the Board having regard to our material risks. Page 13 of the Annual Report sets out the relevant skills matrix.

The Group 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 the Group's risk management framework, refer to pages 8 to 19 of the Corporate Governance Statement.

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

NATHANIEL BRETT, TEAM LEADER
CRC ENGINE SECTION IN TOMAGO, TENSIONING THE TURBOCHARGER MOUNTING BOLTS ON A CAT C32 ENGINE.

MATERIAL BUSINESS RISK

INVESTMENT OPPORTUNITIES

The financial performance of the Group and the returns available to its 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 the Group. The Group's ability to divest its investments will also be subject to these factors.

MINORITY INVESTMENT RISK

The Group holds minority interests in a number of listed companies, including Seven West Media, Beach Energy, Telstra Limited and Estia Health Limited, as well as investments in unlisted offshore media funds. Where the Group 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 any impacts on 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 the Group. Listed equity markets fluctuate with time, which leads to the risk that the value of the Group'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

The Group has investments in a number of 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 Group also has a number of direct and indirect property investments as well as investments in offshore media investment funds. The price of shares in the Group's listed portfolio and the value of its unlisted direct and indirect investments may rise or fall due to numerous factors, which may affect the market performance of the Group. These include changes in Australian and international stock markets and investor sentiment, domestic and world economic conditions and outlook, occupancy rates, inflation rates, interest rates, employment and taxation legislation and other changes to government policy, legislation or regulation.

MEDIA INVESTMENTS

Viewer fragmentation in television and reduction in magazine and newspaper readership may result in declines in advertising markets across all three platforms. This could negatively impact the future level of profitability of the media sector and free cash flow generation. Media reform may provide an opportunity to mitigate these factors.

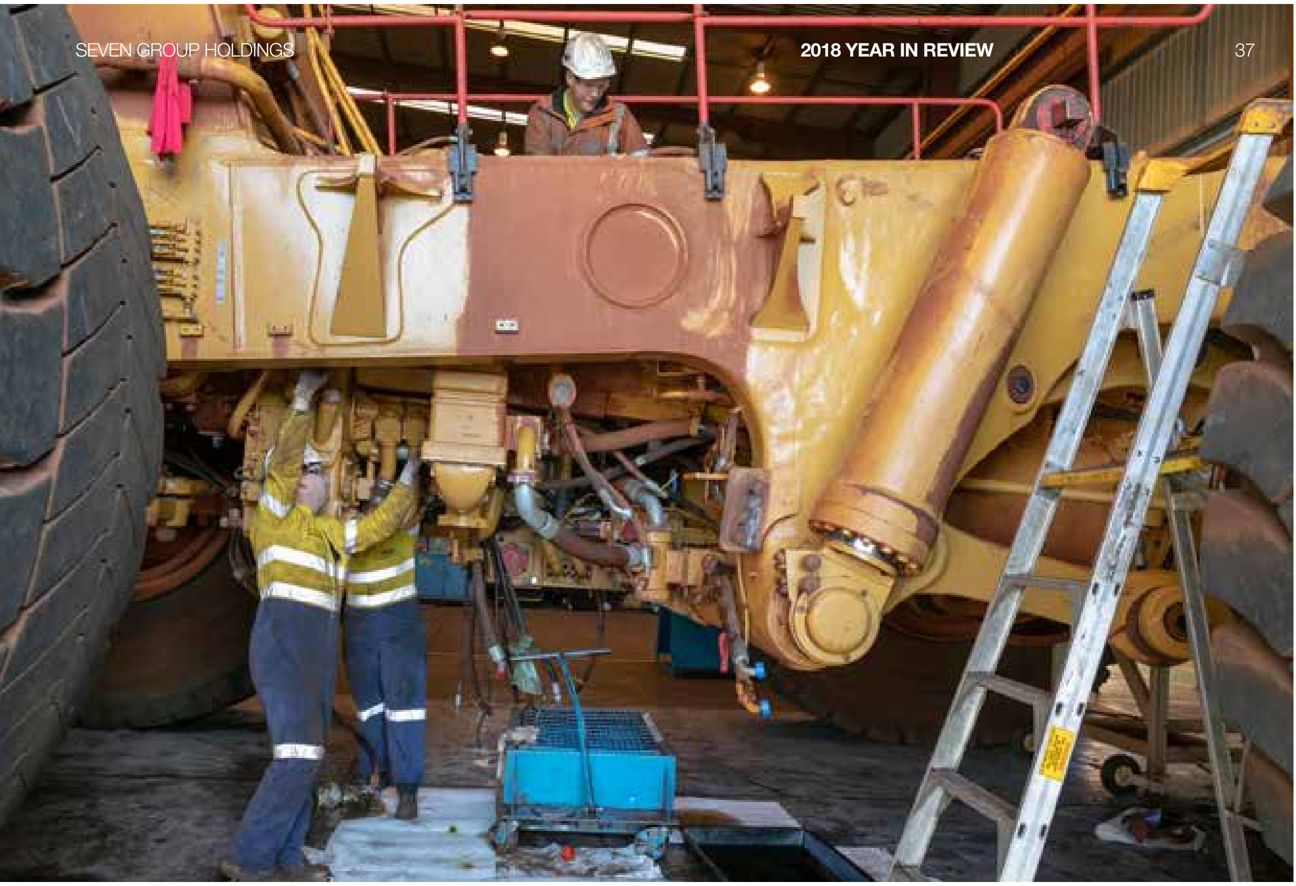
DEPENDENCE ON CATERPILLAR

WesTrac is dependent on CAT to maintain its position as the authorised dealer of CAT equipment and parts in its WA and NSW/ACT territories. The dealer agreements with CAT can be terminated by either party upon 90 day's 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 CAT consent, and are not exclusive.

WesTrac is dependent on CAT 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 CAT's business there may be delays in the supply of equipment and parts to WesTrac. This has not in the past proven to be an impediment to WesTrac. WesTrac is also dependent on CAT to maintain product development and innovation to ensure that it has a quality product offering for its customers.

DECLINE IN DEMAND FROM MINING OR CONSTRUCTION INDUSTRIES

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



SHORTAGE AND RETENTION OF QUALIFIED PERSONNEL

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

CUSTOMER DEFAULT

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

COMPETITION

The markets in which the Group's businesses operate in are highly competitive. Customers of businesses including Coates Hire and WesTrac have alternative sources of supply. Maintaining competitive pricing and customer service levels are important to retaining market share. Competitive pressures could lead to a decrease in market share or in prices that could impact the Group's profitability.

Seven West Media competes for audience share and advertising revenues with all forms of media such as free-to-air television, newspapers, magazines, radio, outdoor advertising, pay television, direct mail, cinema and the internet. The Australian media industry is highly concentrated and competitive, with a number of operators competing for market share and advertising revenue through the same or alternate products. The actions of an existing competitor or the entry of new competitors in the media sector may have a material adverse effect on Seven West Media.

The introduction and development of new and innovative forms of media have the capacity to fragment audiences and reduce advertising spend directed to existing media. Alternative forms of media such as internet and social media platforms could become more attractive for advertisers because of their cost reductions, ease of production or ability to target audiences. Any of these circumstances related to the development of other forms of media could adversely impact the media advertising markets which Seven West Media operates within, and in turn Seven West Media's revenue and profitability.

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

ENERGY RISKS

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

The introduction of government legislation and policy including gas reservation and hydraulic fracking restrictions may impact the supply of oil and gas. In addition, the development timetable of the Group's interests in certain energy assets is subject to the decision making of controlling partners due to access to processing, approval of drilling program and finalisation of key development concepts. Development timetables could be deferred, impacting the recoverable value of the Group's energy assets.

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

Beach Energy may be exposed to movements in gas prices as its existing gas supply contracts and/or gas sales agreements expire or come up for renewal and are recontracted at prevailing prices.

In order to access markets for the sale of its oil and gas production, the Group's energy investments will rely on access to infrastructure on commercially acceptable terms. There can be no guarantee that the Group will be able to maintain or obtain access to relevant infrastructure on commercially acceptable terms. A failure to obtain or maintain access to relevant infrastructure on commercially viable terms, or an event which results in a significant interruption to access to such infrastructure due to unforeseen circumstances, could have an adverse effect on the operating and financial performance of the Group.

Oil and gas reserves are finite and are depleted on an ongoing basis through production, with replacement only possible through successful exploration or acquisitions. Exploration for hydrocarbons is inherently risky and subject to geological interpretations and technological uncertainties. Inadequate exploration success could have an adverse effect on the future operating and financial performance of the Group.

WORKPLACE SAFETY AND SECURITY

Employee safety is a fundamental principle in all the Group's activities. However, the nature of the Group's operations involves a variety of risks which could result in accidents or environmental incidents, causing injuries or loss of life for its workforce and the public and could result in regulatory action, legal liability and damage to the Group's reputation. The Group has sought to mitigate 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 the human resources departments and dedicated risk, safety and security teams within each business. Procedures relating to security at the Group's

320%

INCREASE IN 2P RESERVES TO 313MMBOE EXTENDING RESERVE LIFE TO 11 YEARS.

business sites are prioritised and are subject to review and continuous improvement. Changes to chain of responsibility legislation also extends the Group's obligations beyond existing operations to contractors and potentially their sub-contractors over whom the Group has less control.

FINANCING RISK

The Group and its subsidiaries will need to refinance debt facilities that mature in the future. An inability to secure new debt at similar quantum and costs to existing debt facilities may adversely impact the performance of the Group.

INTEREST RATE AND LIQUIDITY RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to debt obligations with a floating interest rate. The Group's policy is to limit the exposure to adverse fluctuations in interest rates which could erode Group profitability and adversely affect shareholder value. To manage the interest rate exposure, the Group generally enters into interest rate derivatives over a portion of its floating rate exposure or issues fixed rate debt.

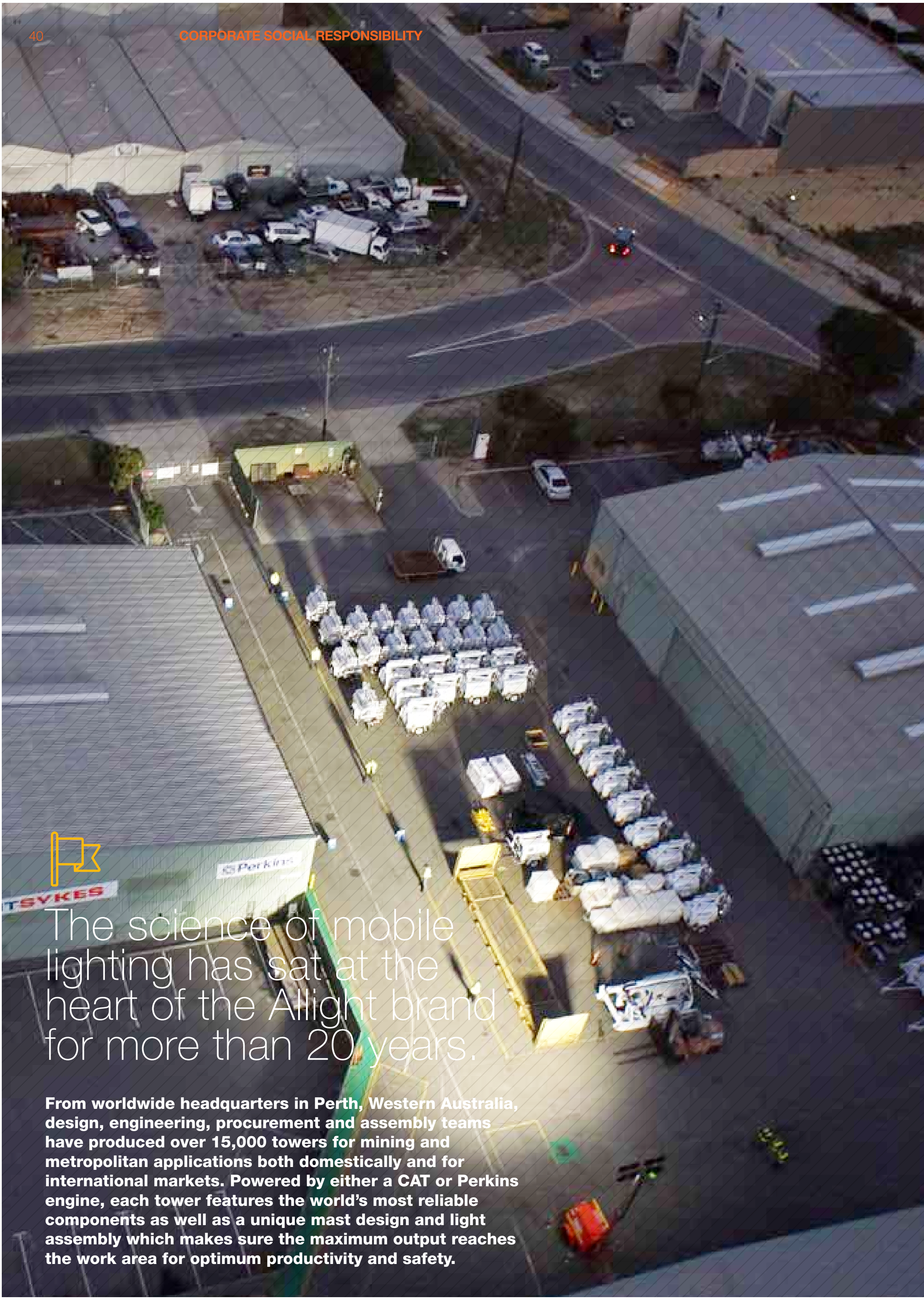
Liquidity risk arises from the possibility that the Group may not be able to settle or meet its obligations as they fall due. The Group manages this risk by maintaining sufficient cash balances, liquid securities and undrawn bank facilities from a variety of lenders to ensure these obligations can be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

FOREIGN EXCHANGE

WesTrac is exposed to foreign exchange risk through the purchase of equipment and inventory denominated in US Dollars. As part of its pricing of equipment globally, CAT generally resets pricing annually for mining equipment and parts which is denominated in US Dollars. Movements in the pricing of equipment impacts WesTrac's cost of machines and may also affect the overall profit earned on the sale of equipment to customers which may be denominated in either Australian Dollars, US Dollars or both. Fluctuations in the AUD/USD exchange rate could have an adverse impact on WesTrac's business, financial condition and results of operations which are reported in Australian Dollars. The Group's investments in oil and gas assets in the United States have not been hedged given the indeterminable duration of the investment horizon, exposing the Group to foreign exchange risk.

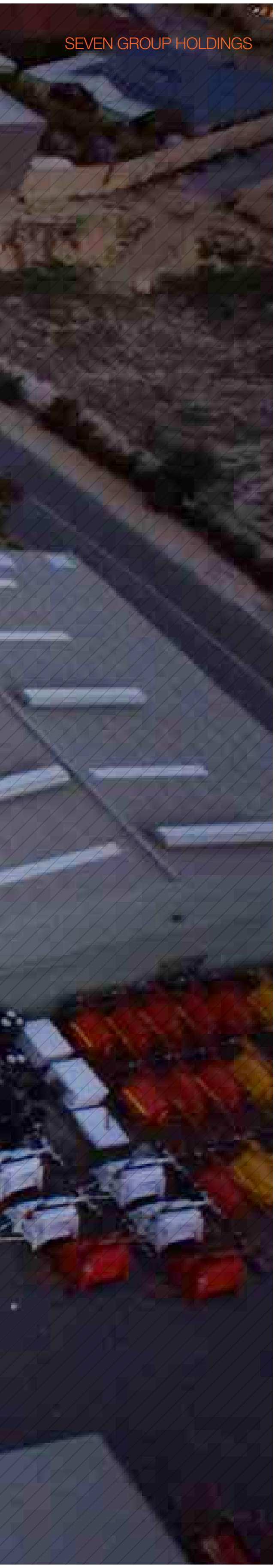
TAX

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



The science of mobile lighting has sat at the heart of the Allight brand for more than 20 years.

From worldwide headquarters in Perth, Western Australia, design, engineering, procurement and assembly teams have produced over 15,000 towers for mining and metropolitan applications both domestically and for international markets. Powered by either a CAT or Perkins engine, each tower features the world's most reliable components as well as a unique mast design and light assembly which makes sure the maximum output reaches the work area for optimum productivity and safety.



SGH IS FOCUSED ON THE LONG-TERM SUSTAINABILITY OF ITS BUSINESSES

TAHLEAA POLLEY
SENIOR SALES COORDINATOR

The Group 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 the Group's practices in relation to the environment, human capital management and social responsibility, principally in relation to the Group's predominant operating businesses, WesTrac, Coates Hire and AllightSykes, as well as safety and environmental practices relating to SGH Energy. The Diversity Policy was revised in FY18 to build in stronger accountability for a diverse workplace. Please refer to pages 10 to 12 of this Annual Report for reporting on the Diversity Policy and the Group's measurable objectives and initiatives relating thereto.

Under its 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 Group's sustainable business practices, is set out on pages 34 to 46.

For more information on the Group's risk management framework refer to pages 17 to 18 of the Corporate Governance Statement.

WESTRAC

WesTrac is committed to maintaining the highest quality of workmanship and care when it comes to employee safety, environmental management and quality control. WesTrac also understands and values the importance of employee engagement, retention and development and is investing heavily to ensure its workforce has all the skills and tools it requires to be successful.

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

ENVIRONMENT – WESTRAC

Caring for the environment is core to how WesTrac conducts business. Through innovation, reduction of waste, and continuous improvement, WesTrac aims to make a positive contribution to the built and natural environments and consistently demonstrates sustainable practices in environmental management, minimising environmental risk and impact to clients and community stakeholders.

WesTrac's main business premises at South Guildford in WA and Tomago in NSW are purpose-built for product distribution and each incorporate 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 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.

Environmental Health Monitoring and Contamination Control

Environmental risks relating to the use or storage of hazardous materials within WesTrac 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 all with technology that leads to improved contamination control outcomes. Best-practice recycling and waste management features ensure that WesTrac is able to clean more components using less water and other solutions.

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 has bunding in place around oil storage in major storage facilities to contain any spills. Oil storage is segregated from other areas of the facility to reduce potential exposure to people and proximity to major warehouse facilities.

Reusability

WesTrac continues to engage with CAT globally to refine the business's material scrapping and reuse policies both in NSW and WA to determine whether parts which have previously been replaced could have been reused within tolerance. This optimises 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.

WesTrac was recently granted qualification into the *Caterpillar Reuse and Salvage Assurance Program* in NSW. The program provides WesTrac with the ability to expand CAT's 12-month parts warranty coverage to include reused or salvaged parts utilised within a component repair. The qualification provides a customer benefit through promoting the use of reuse and salvage guidelines that assist to reduce rebuild costs. To ensure the best possible results are achieved, CAT will work with WesTrac periodically to ensure high standards are maintained.

Lighting Efficiency

WesTrac invested $1 million in a project to replace approximately 4,500 older

NEW CONSTRUCTION EQUIPMENT PREPARATION IN WESTRAC'S PURPOSE BUILT FACILITY AT CASULA, IN SOUTH WEST SYDNEY.

fluorescent tubes with LED lights, leading to an annual reduction in power consumption of four million kWh, or a continuous average energy savings of 715kW. In addition to saving energy, the investment will see a payback of $696,000 per annum in reduced electricity bills.

Building Redevelopment

WesTrac recently opened its new premises in Casula located in western Sydney. The site design has taken into consideration several environmental constraints including flooding, biodiversity, bushfire and traffic.

WesTrac has embarked on the planning and design phase of a significant site redevelopment for the existing, ageing facilities at South Guildford in WA. The redevelopment will lead to structures with greater flexibility and utility, while at the same time incorporating safer, smarter design based on sustainable principles.

ENVIRONMENT – COATES HIRE

Coates Hire is committed to being a market leader promoting environmentally sustainable practices by supporting customers and working with suppliers to achieve excellence in environmental practices and management. Coates Hire aims to protect the environment, prevent pollution and continuously improve the environmental management system that helps it achieve environmental objectives and targets.

Fuel Storage and Handling

Storage, transfer and use of fuel (both diesel and petrol) is a regular occurrence at a Coates Hire branch and on customer sites, creating the risk of leaks and spills. Coates Hire does not use underground storage tanks to store fuel for equipment. All fuel supplies are conducted using above the ground bunded fuel systems. A detailed review of all branches identified a limited number of instances where decommissioning work needs to be completed. Coates Hire is committed to and has commenced removing all underground storage tanks. The decommissioning will include soil testing and removal of any contaminated soil from each of these sites.

Wash Bay Management

Coates Hire branches are equipped with wash bays to clean plant and equipment. Coates Hire is committed to having appropriately constructed wash bays and treating wash down water to remove oil, grease and other harmful waste which is prohibited from the sewer system or release to the environment.

In FY18, Coates Hire invested over $1 million to upgrade existing wash bays to ensure compliance and disposal of waste in a manner which protects the environment.

HUMAN CAPITAL MANAGEMENT – WESTRAC

Culture and Safety Program

WesTrac has implemented a culture and safety transformation program using insights and feedback from across the business to inform the design of the program, and delivers these via mobile applications, film, staff-led workshops, and innovative and engaging learning environments. The program will be delivered over a two year period.

Safety Award Winner – Eliminate live work

In driving improvements for a safer work environment, WesTrac's Mt Whaleback Team in Newman, WA, recently won a client Safety Award. An engaged workforce with strong team member collaboration identified a design for removing

WesTrac continues to seek new ways to attract and retain female and Indigenous employees in the workforce

AMANDA WILLIAMSON
MT WHALEBACK
MARC ADMINISTRATOR

technicians from front-line dangers and advancing operational efficiencies when performing steering operational checks on large mining equipment. This initiative significantly reduced the risk of having team members work in and around live equipment, focusing on the harder controls with strong risk management and the use of technology to improve working conditions.

Safety Award Finalist – Inclusion and Diversity

In supporting diversity and inclusion, the Mt Whaleback team was also recognised as a finalist for initiating an approach to create an inclusive environment to empower the team in the identification, implementation and management of site-wide continuous improvement initiatives. An inclusive and diverse workforce at Mt Whaleback now brings with it a greater mix of people, skills and experiences, perspectives and ideas to draw upon. This environment has enhanced equality and openness to breed collaboration and engagement, bringing with it many opportunities for improved workplace productivity and financial benefits.

Fairbridge Bindjareb Project

WesTrac has been supporting the Fairbridge Bindjareb Project, a collaboration between various organisations to provide Indigenous men in the criminal justice system with training and development in the pursuit of sustainable job opportunities and real careers in the mining industry. Participants obtain the industry and life skills, confidence and resilience they need to fulfil and sustain employment in related industries. In doing so they will be taking a positive step towards bringing about positive sustainable change not only in their life but also their family and community by improving their economic and social circumstances.

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. With modern, state of the art campuses located in South Guildford and Tomago, 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.

Diversity in the workforce
WesTrac continues to seek new ways to attract and retain female and Indigenous employees in the workforce and create clear pathways and advancement opportunities to facilitate greater diversity across all levels of the organisation. 35 per cent of WesTrac's 2018 apprentice intake in NSW were female or Indigenous and 30 per cent in WA. WesTrac currently has 141 apprentices nationwide, who are central to current and future workforce planning requirements.

Mt Whaleback MARC Administrator, Amanda Williamson, was recognised by a client for her dedication to the workplace, teammates and her community. Amanda received the award during a special recognition ceremony held on International Women's Day. She was nominated among people from each of the departments on site and Amanda was selected from the Mining Equipment Maintenance (MEM) team for not only being a respected worker but also for her dedication to the Newman Volunteer Fire and Rescue Service which she is heavily involved in.

Wellbeing at Work
As part of a comprehensive wellbeing program, employees are 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.

HUMAN CAPITAL – COATES HIRE

Safety
Coates Hire promotes early identification, assessment and control of all risks and hazards in order to prevent injury and is committed to providing a safe working environment for its people and its business partners.

Employee Retention and Engagement
Coates Hire recognises that people are critical to the ongoing success of the business. In order to attract, retain and engage with the most talented people, Coates Hire has developed a remuneration strategy which offers a competitive salary commensurate with industry standards. The business has invested in refreshing the learning and development programs designed for both personal and professional development. Employees are also provided with free, around the clock access to a dedicated employee assistance program.

Injury Reporting for WesTrac (Annual)	June 2018	June 2017	June 2016
WesTrac Australia TRIFR	10.4	9.0	10.0
WesTrac Australia LTIFR	1.7	1.2	0.9

HUMAN CAPITAL AND SAFETY - ALLIGHTSYKES

AllightSykes promotes a proactive approach to safety, with the responsibility and accountability cascading from the executive through to all employee levels. This means that safety on the job site starts at the executive level and is a core value of the organisation and every level of the organisation has the responsibility for safety. The results of this are demonstrated in the positive result of zero lost time injuries (LTI's) in past 24 months. AllightSykes is committed to promoting a healthy and sustainable workplace by supporting our employees and working with staff to achieve excellence in their professional and personal pursuits, such as:

- milestone Achievement Awards recognising long service; and
- establishment of new apprenticeship opportunities in FY18.

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

SGH ENERGY

Environment and Safety
The Group 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 in a prudent and responsible manner, in compliance with all applicable laws and regulations, while aspiring to higher standards and the management and reduction of risks to be as low as reasonably practicable (ALARP). This is an integral part of SGH Energy's HSEQC policy, standards and processes.

The Longtom Environment Plan and Longtom Safety Case have both been independently accepted by the Federal petroleum industry regulator, the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), with regular inspections, both internal and by the regulator.

Injury Reporting for Coates Hire (Annual)	June 2018	June 2017	June 2016
Coates Hire TRIFR	19.6	21.3	28.0
Coates Hire LTIFR	2.3	1.7	3.3

SOCIAL – WESTRAC

WesTrac 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 also maintains a donations and sponsorship portfolio, designed to benefit employees, customers and the community organisations in which they participate. Each year, WesTrac participates in numerous charity fundraisers by sponsoring teams or providing financial donations to events.

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

In January, WesTrac was announced as the official naming rights partner of the inaugural WesTrac Bunbury-Geographe Gift.

SOCIAL – COATES HIRE

Supporting Our Communities

Coates Hire treats local events as an important part of its business. With its scale and local branch network, dedicated teams are available to manage customer needs as events evolve. The depth and breadth of its offering means organisers can rely on Coates Hire to be a one-stop shop for all equipment needs. The business is also committed to supporting its local communities across Australia through donations or providing equipment at events.

Coates Hire's dedicated community outreach program aims to give back to the communities it serves and help make a difference. Each year the business participates in number of charity events by sponsoring teams or providing financial donations to events such as:

- Royal Flying Doctor Services;
- Ronald McDonald House; and
- Movember foundation.

The business also participated in a strategic partnership with Black Dog Institute, the University of NSW and the University of Sydney to develop a program aimed at building awareness and skills in how best to manage mental health issues in the workplace.

SOCIAL – ALLIGHTSYKES

Each year, AllightSykes participates in numerous charity fundraisers by providing financial donations to events such as:

- Cancer Council and Movember, Men's Health;
- TREDA, Philippines initiative;
- Mission Australia helping families escape domestic violence;
- 14 Perkins engines donated to South Regional TAFE; and
- Sponsoring Koonibba Football Club (one of the longest running aboriginal football clubs).

Our focus remains on embedding a positive safety culture by the provision of safety leadership training at all levels

JAMES ADETI
FITTER MECHANIC

CLIMATE CHANGE

SGH does not believe there will be any structural impact to the viability of its businesses.

The Group operates in and provides services to a number of carbon intensive industry sectors and recognises that climate change presents a challenge to its businesses, broader society and the natural environment.

The Group's response to climate change requires an integrated approach to focusing on compliance, business improvement and business development opportunities, particularly as the world moves towards a lower emissions economy. To date, the Group has responded through:

- Converting all major sites across the business to more efficient lighting solutions;
- Contracting a third party provider of energy to collect and convert waste into energy on several major sites;
- Investment in capacitors in the WesTrac business to reduce draw on the grid during higher voltage start up of longwalls; and
- Investigating solar energy solutions for major sites such as South Guildford and Tomago.

The Group believes its current portfolio of businesses has adapted and remains flexible to the movement towards a lower carbon economy. In the short to medium term, the Group does not believe there will be any structural impact to the viability of its business that are most sensitive to a lower carbon footprint being WesTrac, given strong existing customer demand for iron ore and coal which is expected to remain for the foreseeable future.

Given the ongoing demand from offshore markets for thermal and metallurgical coal this is not expected to structurally impact the Group, outside the cyclical nature of the industry.

This ongoing demand is driven by emerging Economies, such as India, and also a desire to diversify energy sources in Australia's key thermal coal trading partner, Japan, which has been impacted by a severe nuclear disaster. Additionally, the relatively higher calorific content, low ash and moisture of Australian coal sets it apart from its main competitor in Indonesia which further improves the Group's portfolio dynamics. WesTrac's customers are on the whole producing a "cleaner" product which should provide reasonable demand even when energy from coal reaches a point of structural decline.

Strategically, the Group has also positioned itself towards other growing trends to adapt to a changing world. Specifically, its acquisition of Coates Hire has provided exposure to increased infrastructure spending across Australia and investment in Beach Energy and other directly owned energy assets has provided portfolio exposure to natural gas. This latter investment will become more critical as natural gas becomes a key transition fuel globally. The Group's portfolio is therefore well adapted to the changing dynamic of climate change policy and societal expectations for a lower carbon future.

A CUSTOMISED PONTOON MOUNTED DEWATERING PUMP AND WALKWAY COMBINATION FOR A MINING CUSTOMER IN THE HUNTER VALLEY, NSW.

CLIMATE POLICY IN AUSTRALIA

Australia has committed to taking domestic and international action on climate change. The Federal Government is implementing national policies to reduce emissions and adapt to the impacts of climate change in the context of coordinated global action.

A global climate agreement was agreed under the United Nations Framework Convention on Climate Change (UNFCCC) at the 21st Conference of the Parties (COP21) held in Paris in 2015. Australia has set a target to reduce emissions by 26-28 per cent below 2005 levels by 2030, which builds on the 2020 target of reducing emissions by five per cent below 2000 levels. Australia's targets will be achieved through a policy suite that involves reducing emissions, encouraging technological innovation and expanding the clean energy sector.

ENERGY TRANSITION

As the world transitions to a lower emissions global economy, two areas of growth are prevalent: lower emissions power generation (renewables) and increasing electric vehicle (EV) penetration.

Renewables

Overall capacity expansion has increased 400 per cent since the Paris Agreement in 2015. Additionally, costs for solar and wind continue to fall and these are expected to begin reaching and in some circumstances are below existing technologies on a new build unsubsidised basis.

Globally, the cost of renewables means that policy support and financial subsidies continue to drive uptake of large-scale wind and solar.

Despite the strong longer term tailwinds, it is recognised that wind and solar still have challenges to overcome before they can become the dominant sources of power or even equivalent to the traditional sources of global energy supply. These include grid management, economic storage, maintaining investment once subsidies are removed and addressing continued cost disadvantages against coal and gas in some markets. However, most of these challenges are expected to arrive only in the longer term and to not materially curb renewables growth in the medium term.

Acknowledging the growth in renewables investment and increasingly competitive Levelised Cost of Electricity (LCOE), the Group still remains well positioned with a portfolio that is diversified in its exposure to changes in energy usage.

Impact on Coal Demand

Demand for coal is expected to continue, driven by Japan which represents Australia's largest customer (41 per cent of imports in 2017[1]). Japan is forecast to increase its thermal coal imports marginally in the near term driven by the shift away from nuclear power following the Fukushima disaster in 2011. Nuclear plant restarts have only recently started ramping up and this is not expected to impact coal demand structurally over a 20 year period.

In China, reports have indicated a slowdown in imports driven by policy initiatives through the Thirteenth Five Year Energy Development Plan, issued by the National Development Reform Commission (NDRC) and the National Energy Agency (NEA) which aims to limit total coal consumption to 58 per cent of national energy consumption by 2020 (currently around 76 per cent). Despite this shift away from coal by China, there does remain strong near term demand given recent hotter weather and low reservoir levels which have constrained hydro power output. China's imports of thermal coal increased 26 per cent for the March 2018 quarter as a result[2].

Additionally, there is growing demand for thermal coal from India which is expected to grow at a four per cent cumulative annual growth rate from 2014-2020 due to India's developing economy and supply bottlenecks in domestic production from a lack of infrastructure investment and regulatory issues. It is forecast by Bain & Co that India will likely overtake China as the largest coal importer globally over the medium term with coal imports expected to reach nearly 200Mt by 2020[3]. As of 2017, India had 15 per cent share of world thermal coal imports compared to 18 per cent from China and based on the quarter ended March 2018, thermal coal imports had risen by 22 per cent from the prior corresponding period[4]. The challenge will be growing Australia's share of this as India is generally more price sensitive and remains two per cent of total Australian exports in 2017.

Therefore, despite the clear shift towards renewables longer term, there remains key support for Australia's coal due to the quality versus Indonesian coal, demand from existing customers such as Japan and growing demand from developing countries such as India. Adding to this is the strategic policy of governments globally in ensuring a diversified source of energy supply which should mean coal will continue to be a pillar of energy policy in the near to medium term.

Overall, SGH does not foresee a structural curtailment of demand for thermal coal (outside cyclical changes in demand) as customers remain competitive on the cost curve and are generating acceptable returns.

In terms of coking coal, customers in Australia also generally sit attractively on the cost curve though there is a consideration around pace of material substitution (e.g. steel scrap in steelmaking) with the advent of tighter environmental regulations. Despite this, customers remain well positioned to benefit from these changes given the low ash soft coking coals produced (PCI coal) that compares favourably to key competitors.

Impact on Gas Demand

Demand for gas on Australia's East Coast is driven by domestic consumption and LNG exports to Asia. The Australian Energy Market Operator (AEMO) has revised down its projected consumption in 2019 and 2022 due to new renewable generation in the National Electricity Market (NEM) reducing demand from

gas powered generation in the short to medium term. Additionally, changes in international LNG market dynamics, coupled with tight domestic gas supply conditions and the Federal Government's recent Heads of Agreement with LNG producers relating to domestic gas supply commitments in 2018 and 2019 have also resulted in a slight reduction in LNG export projections compared to AEMO's prior forecasts.

Over the longer term, from 2025, it is forecast that demand is higher than the previous 2016 forecast due to increasing LNG exports as production ramps to maximum capacity as emerging markets increase activities to curb greenhouse gases. Gas powered generation demand is projected to recover over the longer term but is expected to stabilise back to around current levels.

Overall, demand is expected to remain relatively strong particularly from the export market as key export customers grow their share of LNG as a source of energy particularly given environmental concerns around air pollution in relation to traditional power generation and also the slow recovery from previous environmental events in relation to nuclear generation as seen in Japan, Australia's largest customer (48 per cent of exports by value in 2017[5]).

The Group is positioned to benefit from continued demand growth for natural gas through its investment in Beach Energy and direct investments in Crux, Longtom and Bivins Ranch. Gas demand is expected to remain strong over the next 20 years as it remains a key transition fuel as concerted efforts to reduce emissions are expected to increasingly focus on utilising gas for power generation particularly in overseas markets.

Growth in Electric Vehicles and Oil Demand

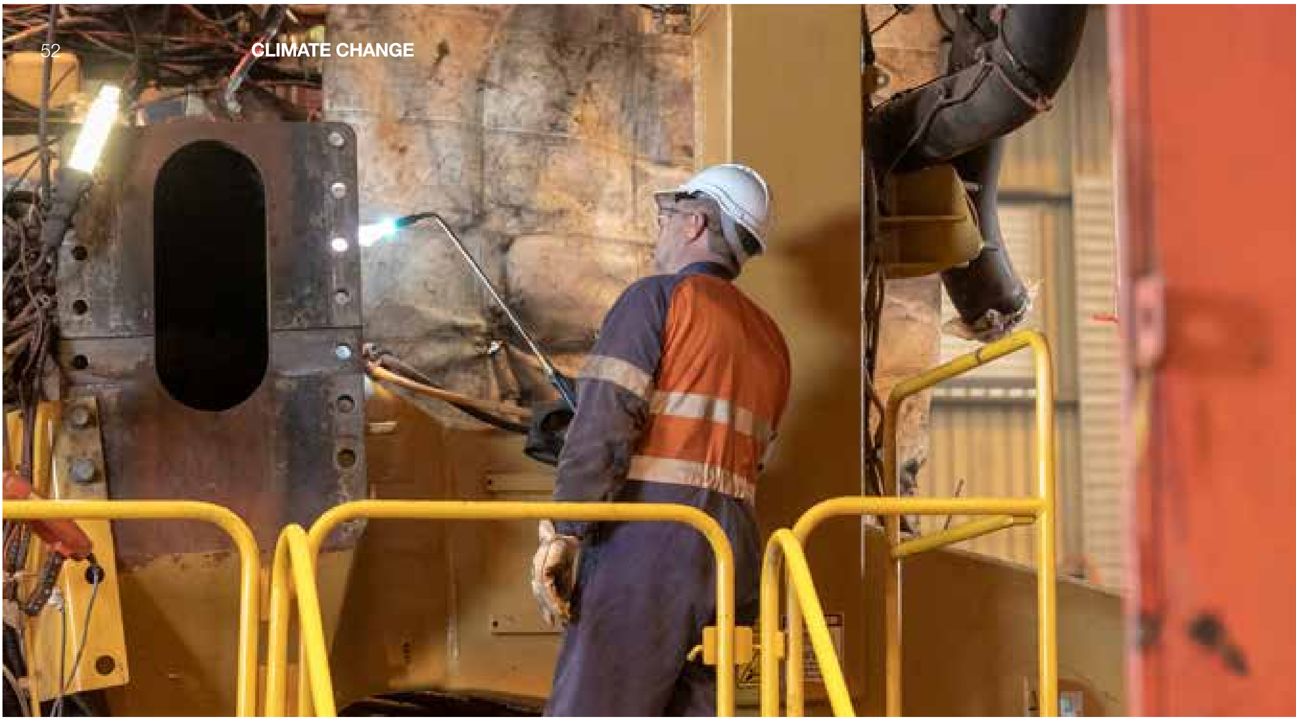
The growth in electric vehicles (EVs) is expected to have strong tailwinds in the long term. Sales are growing from a low base and remain a small proportion of overall vehicle demand but have outpaced expectations, boosted by faster than anticipated battery improvements and government support.

Additionally, it is expected that higher fuel efficiency of internal combustion engines will also impact demand. The reduction of oil demand from energy efficiency is expected to be higher than the loss from EV adoption which is forecast to take 2.3 million barrels of oil per day by 2035 or two per cent of current oil demand based on approximately 140 million EVs by 2035.

Despite this long-term trend, transport is set to continue as a key driver of energy demand.

Wood Mackenzie expect that the growing markets of China, India and the Middle East will introduce so many new cars on the road that oil use for transport fuel will keep growing, requiring 12 per cent more oil supply in 2035 than in 2016.

Given the average lifespan of a car is more than 10 years, it may take decades for EVs to significantly penetrate the global car fleet (currently they account for one per cent). The high unit cost relative to traditional vehicles is the most significant barrier. Their competitiveness will largely depend on the rate at which this cost



SGH believes its current portfolio has adapted and remains flexible to a lower carbon economy

comes down, which is itself reliant on battery technology advancements.

With this backdrop, the Group's portfolio is not expected to be structurally impacted significantly in the short or long term given it is predominantly gas exposed but also due to the expected long timing for ramp up for EVs to increase penetration domestically and globally.

IRON ORE

The Group believes its ownership of WesTrac remains well positioned given the competitiveness of its key customers on the cost curve and the positive impact for higher quality ore customers as China shifts towards stricter pollution controls. The Group's customers are primarily those selling high ore content. The quality and quantity produced of Australian iron ore is a comparative advantage, resulting in the lower quality ore and mine operators with highest breakeven price and poor economies of scale to be the most likely to be impacted first. This may lead to further concentration of mine operators, ultimately benefiting Australian mines.

CONCLUSION

The Group believes its portfolio is adaptable to deal with the effects of climate change on thermal coal, iron ore and oil and gas production.

The Group is confident that longer term demand fundamentals remain due to ongoing industrialisation in emerging economies and infrastructure programs such as the One Belt One Road initiative.

The Group believes its customer base is equipped to deal with a significant downturn given generally higher quality content of its iron ore bodies, "cleaner" nature of its coal compared to its competitors and advantageous positioning on the cost curve.

Finally, there is potential upside in its portfolio from other growing industries such as lithium and base metals mining which is a fast growing segment of the resource sector in Australia, leaving the Group well positioned to capture any emerging demand for equipment and services in this segment.

1 Department of Industry, Innovation and Science: Resource and Energy Quarterly June 2018
2 Department of Industry, Innovation and Science: Resource and Energy Quarterly June 2018
3 Bain Thermal Coal Market Primer (2016)
4 Department of Industry, Innovation and Science: Resource and Energy Quarterly June 2018
5 Department of Industry, Innovation and Science: Resource and Energy Quarterly June 2018

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SGH Energy
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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

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SGH | Industrial Services, Media, Energy and Investments

FOCUS ON EXECUTION

SGH | Industrial Services, Media, Energy and Investments

FOCUS ON EXECUTION

To drive outstanding performance, all our leaders across our businesses performed and even more importantly, they have effectively managed the key risks and delivered results that ensured the Group delivered an outstanding financial result for the year.

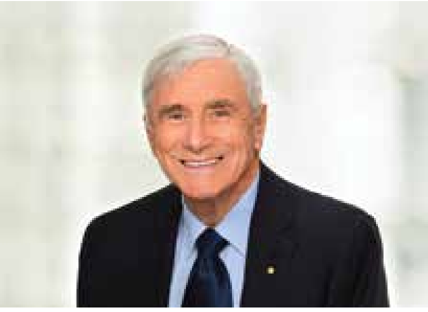
The core operating principles that have driven this performance over the past 18 months remain consistent – that is, supporting customers through quality product and service offerings, and utilising data and technology to enhance our value proposition.

Ryan Stokes
MD & CEO

It is also appropriate to recognise the contribution of your Board of Directors, they have been a critical part of every transaction, pushing to ensure key risks were both understood and managed whilst supporting management to achieve these outcomes and capture the opportunity. It has been both exciting and rewarding, and personally, I can't remember a year when collectively we have achieved so much which has both been understood and valued by the capital markets.

Kerry Stokes AC
Executive Chairman

BOARD OF DIRECTORS



KERRY MATTHEW STOKES AC
EXECUTIVE CHAIRMAN
Seven Group Holdings

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
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
Seven Group Holdings

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

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

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

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

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

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

SALLY ANNABELLE CHAPLAIN
DIRECTOR
Seven Group Holdings

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 Credible Labs Inc (since December 2017) 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.

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.

BOARD OF DIRECTORS

TERRY JAMES DAVIS
DIRECTOR
Seven Group Holdings

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 and 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
Seven Group Holdings

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 member of the Independent & Related Party Committee.

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

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

A 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
Seven Group Holdings

Director of Seven Group Holdings Limited since 27 May 2015.

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

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

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

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

BRUCE IAN McWILLIAM
COMMERCIAL DIRECTOR
Seven Group Holdings

Director of Seven Group Holdings Limited since 28 April 2010.

Director of Seven Network Limited since September 2003.

Commercial Director for 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
Seven Group Holdings

Director, Seven Group Holdings Limited (SGH) since 12 September 2014.

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

Chairman, Advisory Board Australian Capital Equity since 1 November 2006.

Chairman, ANZ Thailand – Australian and New Zealand Banking Group Limited (ANZ).

Director of ANZ China, ANZ.

Director, Estia Health Limited since May 2017.

Director, Coates Hire since May 2012.

Chairman, Australia China Council.

Global Trustee, Asia Society.

Former Chairman, New South Wales and Australian Capital Territory, ANZ.

Former Senior Managing Director, Australia, ANZ.

Former Executive Director, Macquarie Bank Group of companies.

Former Chairman, E*Trade Limited.

Former Chairman, 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
Seven Group Holdings

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.

EXECUTIVE MANAGEMENT

RICHARD RICHARDS

CHIEF FINANCIAL OFFICER
Seven Group Holdings

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

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

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

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

GITANJALI BHALLA

GROUP EXECUTIVE PEOPLE & CULTURE AND SAFETY
Seven Group Holdings

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

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

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

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

MURRAY VITLICH

CHIEF OPERATING OFFICER
Seven Group Holdings

B.Bus. (Econ & Fin)

Mr Murray Vitlich joined SGH in June 2017 as Chief Operating Officer for the Group, working across the portfolio of industrial businesses within SGH. In this capacity, Murray's focus is on driving the operational and financial performance of the businesses across the Group's portfolio, contributing to the development and delivery of key strategic initiatives for SGH, and supporting Group level relationships with key partners and customers. Murray is a member of the Board of Directors of WesTrac, Coates Hire, SGH Energy and AllightSykes.

Murray has over 30 years of experience within the industrial and resources sectors. Murray previously held senior operational roles at Asciano Limited, where he was initially the Director of Strategy & Business Development followed by the role of Managing Director of Patrick. Prior to this, Murray was the Chief Operating Officer at UGL Limited and spent 15 years at Wesfarmers Limited, during which time he had several senior roles including his final role as the CEO of the Australian Railroad Group.

JEFF FRASER

CHIEF EXECUTIVE OFFICER
Coates Hire

B.Com., CPA

Mr Jeff Fraser was appointed CEO of Coates Hire in July 2016. He joined Coates Hire in July 2015 as a director and Chief Financial Officer.

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

Jeff holds a Bachelor of Commerce from Newcastle University.

JARVAS CROOME

CHIEF EXECUTIVE OFFICER
WesTrac

B.Eng. (Mechanical) (First Class Honours), B.Comm. (Management), CPEng

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

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

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

GREG GRAHAM

CHIEF EXECUTIVE
WesTrac NSW/ACT

B.Bus. (Management), MBA, GAICD

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

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

MARGARET HALL

CHIEF EXECUTIVE OFFICER
SGH Energy

B.Eng. (Met) (Hons), MIEAust, SPE

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

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

PAUL THOMPSON

CHIEF EXECUTIVE OFFICER
AllightSykes

B.Eng. (Mechanical)

Mr Paul Thompson has been Chief Executive Officer of AllightSykes since May 2016. Paul is a Director of AllightSykes Australia and AllightPrimax Dubai and the USA.

Paul joined AllightSykes from an array of industrial organisations stemming back to WesTrac as an Alliance Manager for key mining customers. Paul then joined BHP Billiton managing the Caterpillar Global Mining contract for CI, R&D, product improvement and global machine product performance. Paul then took up the role of General Manager Western Australia and Northern Territory with Komatsu for sales parts and service support for construction, mining and utility machinery followed by the role of Chief Operating Officer at Capital Machinery Limited (dealer for Caterpillar machinery) in Taiwan.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2018

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

As part of the periodic review of its Board and Committee Charters during the financial year, the Company took a proactive approach to identifying areas of emerging developments in corporate governance, as raised in the draft 4th edition ASX Corporate Governance Council Corporate Governance Principles and Recommendations released on 8 May 2018 ("Draft 4th Edition ASX Recommendations"). The resulting amendments to the Board and Committee Charters are aligned with emerging market expectations and reflect many of the responsibilities and processes that the Board and its Committees were already undertaking.

Reporting of compliance within this Corporate Governance Statement remains against the 3rd edition of the ASX Recommendations, however, reference is also made herein to corporate governance enhancements which relate to the Draft 4th Edition ASX Recommendations. The Board will continue to review developments in corporate governance as part of its periodic review of governance at the Company. The Company's Board and Committee Charters and a number of the corporate governance policies referred to in this statement are available in the "Corporate Governance" section of the Company's website at www.sevengroup.com.au/about-us/ corporategovernance. 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, including reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial reporting, financial controls and other reporting;
- developing a Board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership;
- approving the entity's statement of core values;
- demonstrating leadership by approving the Company's purpose, strategic objectives and code of conduct for directors, senior executives and employees;
- developing and reviewing corporate governance principles and policies and monitoring compliance with those principles and policies to underpin and instil the desired culture within the Company and reinforce a culture across the Company of acting lawfully, ethically and in a socially responsible manner;
- ensuring Management has formal and rigorous processes in place to validate the quality and integrity of the Company's corporate reporting; and
- in accordance with the Company's Diversity Policy, reviewing, on an annual basis, the report prepared by the Remuneration & Nomination Committee outlining the relative proportion of women and men on the Board, in senior management positions and in the workforce at all levels of the Group.

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

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

Board Committees

The Board is assisted in carrying out its responsibilities by the Audit & Risk Committee, the Remuneration & Nomination Committee and the Independent & Related Party Committee. 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 21 sets out the number of Board and Committee meetings held during the 2018 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, business model and strategic objectives approved by the Board. Management must supply the Board with information in a form, time-frame and quality that will enable the Board to discharge its duties effectively. 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. Management is charged with promulgating the Company's values across the organisation.

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.

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

The management of the Company during the financial year comprised the Managing Director & Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Group Executive – People & Culture, Chief Executives of each of WesTrac Australia, Coates Hire, AllightSykes and SGH Energy and as well as several Seven West Media Limited executives who provide management services to the Company, and as part of these arrangements, a portion of their salary cost was charged to the Company for the services provided to it. Profiles of members of the Senior Management team are available at pages 6 to 7 of this Annual Report.

Governance and SGH Subsidiary Operating Businesses

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

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

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

Appointment of Directors

The Board has established a Remuneration & Nomination Committee to assist it in the appointment of new Directors. Further information regarding the Committee is set out under "Principle 2 – Structure the Board to 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's 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; and
- 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.

CORPORATE GOVERNANCE STATEMENT

Appointed Directors receive a formal letter of appointment which set out the terms of their appointment, including remuneration entitlements and the Company's Corporate Governance Policies, and attaching 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 3 to 5.

Election and re-election of Directors

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

Company Secretary

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

- helping to organise and facilitate the induction and professional development of directors;
- monitoring whether Company policies and procedures are followed;
- ensuring that the business at Board and Committee meetings is accurately captured in the minutes;
- advising the Board and Committees on governance matters; and
- co-ordinating the timely distribution of Board and Committee agendas and briefing materials.

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

Board, Committee and Director performance evaluation

The Executive Chairman closely monitors the performance and actions of the Board and its Committees. During the financial year Directors completed a Board Evaluation questionnaire concerning Board, Committee and Director, including Chairman, performance from which aggregated data and responses 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 23 to 43.

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 and Equal Employment Opportunity Policy

SGH is committed to an open and inclusive workplace. The Company reviewed and revised its Diversity policy to ensure it continued to support its ongoing commitment to Diversity as well as Equal Employment Opportunity. Key accountabilities are set out on the following page.

Board

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

Executive Team

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

Managers and Supervisors

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

Company progress on diversity objectives in 2018

Measurable Objectives	Achievements in 2018
Flexible Work Practices	
Flexibility provides employees with a wider range of choices as to how, when and where they are able to undertake their work activities. • Development of flexible work practices, tailored to individual needs, to assist employees to balance work with family, carer or other responsibilities. • Practices may be formal, such as part-time hours, or informal, such as working from home.	The businesses within the Group formalised and improved a range of flexible working practices. The Company has moved from having flexible working practices on a case by case basis to them being standardised in policy across all the larger group businesses. Utilisation of flexible work practices has improved as the policies have become better understood by both management and employees. This has also enabled the company to attract candidates from a more diverse employee pool. The introduction of a Family and Domestic violence leave last year was an important step in providing support and time off for people affected by family and domestic violence for court hearings or to relocate as needed, as well as discretion and confidentiality.
Equal Opportunity	
The Company strives to make decisions in a transparent and fair manner that excludes conscious or unconscious biases that might discriminate against certain employees or candidates. • Decisions regarding employment and remuneration are based on merit, ability, performance and potential. • Internal and external placements are recruited through the assessment of individual merit, skills and experience.	Improved reporting and people analytics across recruitment, performance management, remuneration have provided better visibility into current state which have resulted in the following: Processes have been implemented within the Group to ensure that decisions about pay are linked to market benchmarks at remuneration review, for promotions and on hire. Recruitment practices have evolved to ensure that hiring managers are presented with a diverse candidate base which includes female candidates. This has improved the diversity of candidates and the overall quality of hires. The Company is redefining select roles where appropriate within the business so that they can be completed equally by either male or female employees on a full-time, part-time or casual basis. Training programs (unconscious bias) have been introduced to increase awareness about diversity and inclusiveness.
Career Development and Progression	
Assisting all employees to have equal access to career development and progression. • Ensuring the talent of all employees is recognised and utilised to retain and increase diversity across all levels of the Company. • Decisions relating to task allocation, training and development are based on merit, performance and talent.	A thorough talent and succession planning process has resulted in a deeper review of people and their potential at the Company, including opportunities across the businesses for female talent. A key objective is to embed gender diversity as an active consideration in succession planning. Executive level succession plans were reviewed by the Board and provided a diverse list of candidates for whom development plans will help to ensure preparedness to take on future opportunities.

CORPORATE GOVERNANCE STATEMENT

Gender Diversity

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

Level	Number of Women	Proportion of Women
Board	1 of 9	11.0%
Senior executives*	21 of 180	11.6%
Whole of organisation	707 of 4,952	14.3%

* 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 2018.

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 2017 – 2018 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 twelve 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

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 3 to 5.

Board independence

The Board acknowledges the ASX Recommendation that a majority of the Board should be Independent Directors. The Board comprises a majority of Independent Directors, with four Non-Independent Directors and five Independent Directors.

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

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, 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 deemed to be controlled by Mr Kerry Stokes AC. In the Board's view, the Independent Directors referred to above are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors' ability to act with a view to the best interests of the Company.

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.

The Independent & Related Party Committee has overseen a substantial reduction of related party transactions in recent years, principally involving the conclusion of legacy service arrangements or the transfer of property interests and leases relating to several key business sites to unrelated third parties. For more information concerning the reduction in quantum of related party transactions, please see Note 33 on page 107 of this Annual Report.

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 Chairman is responsible for leading the Board, facilitating the effective contribution of all Directors and promoting constructive and respectful relations between the Board and Management.

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

Board skills, experience and expertise

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

Company's purpose and strategic objectives

In accordance with its Charter, and consistent with emerging governance expectations, the Board has defined the Company's purpose as *"Maximising returns to shareholders through long-term sustainable value creation"*. The Board has identified the following areas as strategic objectives for the Company to drive shareholder value and underpin the Company's economic sustainability:

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.

Board Skills Matrix

The Board has developed a Board Skills Matrix set out in the table below reflecting the desired skills and experience required to be able to deliver on the strategic objectives of the Company. The Board believes that these skills and experiences are well-represented by its current composition. The table also outlines the percentage of current directors possessing those skills and experience.

Skills and Experience	Percentage
Executive leadership Significant business experience and success at a senior executive level	100%
Financial analysis, risk management and reporting Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls and an ability to probe the adequacies of financial and risk controls	90%
Industrial services Senior executive or Board level experience in the industrial services industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	60%
Media industry Senior executive or Board level experience in the media industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	60%
Energy, oil and gas Senior executive or Board level experience in the energy, oil and gas industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	40%
Technology Senior executive or Board level experience in the strategic use and governance of information management, information technology as well as the oversight of implementation of major technology projects	50%
Strategy and corporate activity Track record in identifying, developing and implementing a successful strategy, including appropriately probing and challenging management on the delivery of strategic objectives and developing an asset or investment over the long-term	90%
Corporate governance and regulatory Commitment to the highest standards of corporate governance, including senior executive or Board experience with an organisation that is subject to rigorous governance and regulatory standards	100%
Remuneration and people Board remuneration committee membership or Senior executive experience relating to workplace health and safety, managing people and remuneration, including incentive arrangements and the legislative framework governing employees and remuneration	80%

CORPORATE GOVERNANCE STATEMENT

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 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 – People & Culture 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.

The Director induction and ongoing training programs are reviewed to consider appropriate opportunities for Director development having regard to the desired skills and competencies for Board members as well as emerging governance issues such as digital disruption and cyber security. During the year Directors were briefed and reflected upon recent inquiries and reports into practices in the banking, superannuation and financial services industry, particularly with regard to the findings and learnings relating to corporate governance effectiveness and its translation to culture and behaviour within an organisation arising therefrom.

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

Core values

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

Disciplined

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

Performance

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

Accountable

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

Agility

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

Respect

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

Code of Conduct and other Company policies

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

The 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.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit & Risk Committee

The Audit & Risk Committee comprises 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
- Mr Warwick Smith AM

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

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;
- work with management to ensure that a formal and rigorous process is in place to validate the quality and integrity of the Company's corporate reporting, including financial reporting, and ensure that it is accurate, balanced and understandable and provides investors with appropriate information to make informed investment decisions;
- the identification and management of financial and non-financial risk; and
- the examination of any other matters referred to it by the Board.

The Audit & Risk Committee is also responsible for:

- making recommendations to the Board on the appointment (including procedures for selection), and where necessary, the replacement of the External Auditor;
- evaluating the overall effectiveness of external audit function through the assessment of external audit reports and meetings with the External Auditor;
- reviewing the External Auditor's fees in relation to the quality and scope of the audit with a view to ensuring that an effective, comprehensive and complete audit can be conducted for the fee; and
- 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. It is the practice of the Committee for the Managing Director & Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Group Executive People & Culture 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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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.

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

The required declarations from the Chief Executive Officer and Chief Financial Officer have been given to the Board for the half-year ended 31 December 2017 and financial year ended 30 June 2018.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company is committed to complying with the disclosure obligations of the Corporations Act and the Listing Rules of the ASX, and to ensuring accountability at a senior executive level for that compliance. To that end, the Company has adopted a Continuous Disclosure Policy. A summary of the Continuous Disclosure Policy is available on the Company's website.

The Company also follows a program of half yearly and yearly disclosures to the market on financial and operational results and has established policies and procedures to ensure that a wide audience of investors has access to information given to ASX for market release. Media releases, half yearly and yearly financial reports and results presentations are lodged with the ASX and upon confirmation of receipt by the ASX, they are posted to the Company's website.

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

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

PRINCIPLE 6 – RESPECT THE RIGHTS OF 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 adopted 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.

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

The Company's website

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

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

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk oversight and management

The Board recognises that the management of 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 outlined below.

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

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; and
- the Company businesses conducted risk reviews and assessments which identified, assessed and ranked the main strategic risks, including material business risks, facing the Group's businesses in respect of which management has implemented internal risk controls and mitigation strategies for those risks.

Internal Control Framework

The Company has established an Internal Audit & Process Improvement function to evaluate and improve the effectiveness of the Company's governance, risk management and internal control processes. 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 Internal Audit function has access to the Company's records, information systems, properties and personnel in order to conduct its activities. The Audit & Risk Committee 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.

CORPORATE GOVERNANCE STATEMENT

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 34 to 39. 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 40 to 47 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, Coates Hire's and AllightSykes' operations, are developed following a risk assessment process that considers potential events in accordance with current Emergency Risk Management guidelines. The Company is working to improve the safety culture in each of the businesses through a combination of cultural change programs which include improved inductions, training, reporting and which increase management and individual accountability. The Company's Workplace Health and Safety policy has been revised to provide a united safety aim and standards throughout the Group's businesses and is promulgated to staff through management oversight, training and availability on the Company's intranet.

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 preventative health checks, information seminars on a range of topics including mental health and a free and confidential external counselling service for employees and their immediate families. Refer to pages 43 to 45 of this Annual Report for more information on the Group's workplace safety practices within WesTrac, Coates Hire and AllightSykes, the Group's predominant operating businesses.

Environment and Sustainability

The Company is mindful of climate change and managing the environmental impact of its operations. Environmental risks are considered as part of the Company's risk assessment processes. Refer to pages 42 and 45 of this Annual Report for more information on the Group's environmental practices and efforts to minimise the environmental footprint of its businesses.

For the Company's climate change-related commentary and disclosure, please refer to pages 48 to 52 of this Annual Report.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

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

Remuneration & Nomination Committee

To assist in the adoption of appropriate remuneration practices, the Board has established a Remuneration & Nomination Committee. Details regarding the Committee are set out under "Principle 2 – Structure the Board to 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 ensure the company has a rigorous and transparent process for developing its remuneration policy and for fixing the remuneration packages of directors and senior executives, in light of the objective that the company's remuneration framework is aligned with the company's strategic objectives, values and risk appetite;
- 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 $2.2 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 35 and pages 42 to 43.

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

Remuneration of Executive Directors and senior executives

The objective of the remuneration process for Executive Directors and senior executives is to ensure that remuneration packages properly reflect the duties and responsibilities of employees and that remuneration is at an appropriate but competitive market rate which enables the Company to attract, retain and motivate people of the highest quality and best skills from the industries in which the Company operates. This policy provides for the 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, deferred shares or performance rights (cash settled or equity settled) 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.

During the financial year, following the Company's acquisition of the remaining 53.3 per cent interest in Coates Hire, remuneration arrangements for Coates Hire's CEO, Mr Jeff Fraser, were transitioned to the SGH remuneration framework for Key Management Personnel (KMP) to ensure Mr Fraser's incentive arrangements are consistent with other senior Group Executives and aligned with the interests of the Company's shareholders.

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

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

Hedging Policy

The Company's Group Directors Share Trading Policy, and the Executive and Staff Share Trading Policy, prohibit KMP and employees 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 23 to 43.

This statement has been approved by the Board and is current as at 22 August 2018.

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 2018 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

Particulars of their qualifications, experience, special responsibilities and any directorships of other listed companies held within the last three years are set out in this Annual Report under the headings "Board of Directors" and "Corporate Governance Statement" on pages 3 and 5 and form part of this report.

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

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

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

PRINCIPAL ACTIVITIES

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

Other than the sale of WesTrac China and the acquisition of the remaining 53.3 per cent investment in Coates Hire, there were no significant changes in the nature of the Group's principal activities during the financial year.

BUSINESS STRATEGIES, PROSPECTS AND LIKELY DEVELOPMENTS

Information on the Group's operations and the results of those operations, financial position, business strategies and prospects for future financial years has been included in the "Operating and Financial Review" on page 9.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- On 1 July 2017, the Company signed an agreement in which Lei Shing Hong Machinery Limited would acquire WesTrac China for a total consideration of $540 million subject to completion adjustments and People's Republic of China regulatory approval. The sale was completed on 31 October 2017.
- On 17 August 2017, the Company's on-market TELYS4 share buy-back concluded with no shares bought back.
- On 20 September 2017, the Company announced the acquisition of the remaining 53.3 per cent of Coates Group Holdings Pty Limited from an affiliate of The Carlyle Group for a consideration of $517 million. The acquisition was completed on 25 October 2017.
- On 20 September 2017, the Company announced a $375 million equity raising to increase free float and balance sheet flexibility. The equity raising consisted of two components, a fully underwritten placement of ordinary shares to institutions and sophisticated investors and a non-underwritten Share Purchase Plan. The $375 million placement was completed on 21 September 2017. The Share Purchase Plan was completed on 23 October 2017. Together, approximately $392 million in total was raised.
- On 21 February 2018, the Company announced the issue of a $350 million convertible notes, enhancing its funding base and reducing borrowing costs. The convertible notes have a term of seven years and will mature in March 2025. The issue of the convertible notes was completed on 22 February 2018 with settlement successfully completed on 5 March 2018.
- On 12 March 2018, the on-market buy-back, (announced by the Company on 21 February 2017 of up to 16.5 million (5.9%) of the Company's shares) concluded. No ordinary shares were bought back.

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.

DIVIDENDS – ORDINARY SHARES

Since the start of the financial year, a final fully franked dividend for the 2017 financial period of 21.0 cents per share, amounting to $59.1 million, was paid on 6 October 2017.

Since the start of the financial year, an interim fully franked dividend for the 2018 financial year of 21.0 cents per share, amounting to $66.5 million, was paid on 20 April 2018.

A final fully franked dividend for the 2018 financial year of 21 cents per share, amounting to $66.5 million will be paid on 8 October 2018, 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 $2.3180 per TELYS4 based on 4,963,640 TELYS4 on issue, amounting to $11.5 million was paid on 30 November 2017.

A further fully franked dividend of $2.3264 per TELYS4 based on 4,963,640 TELYS4 on issue, amounting to $11.5 million was paid on 31 May 2018.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Refinancing of corporate syndicated facility

On 21 August 2018, the Group successfully concluded the amendment and extension of its corporate syndicated loan facility. The facility remains unsecured and is supported by guarantees by the Company and certain subsidiaries within the Group. The facility limit has increased from $900.0 million to $1,300.0 million across three and five year tranches of $400.0 million and $900.0 million respectively.

TELYS4 conversion

The Company has announced a proposal to amend the terms of the TELYS4 preference shares (TELYS4) and thereafter, convert the TELYS4 to ordinary shares (Conversion Proposal). Further information regarding the Conversion Proposal is provided in the Explanatory Memorandum lodged with the ASX on 22 August 2018.

Movement in share prices of listed investments

Subsequent to year end, there has been movement in the share prices of listed investments and as a result, the value of the Group's investments have varied from what is presented in the financial report. Refer to Note 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 2018 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 2018, and the number of those meetings attended by each Director, were:

	Board		Audit & Risk		Remuneration & Nomination		Independent & Related Party	
Director	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
KM Stokes AC	14	13	1	1	1	1	–	–
RK Stokes	14	14	10	10	6	6	–	–
SA Chaplain	14	13	10	10	7	7	3	3
TJ Davis	14	13	1	1	7	7	3	3
CJ Mackay	14	13	10	9	–	–	3	3
DI McEvoy	14	13	10	10	1	1	3	3
BI McWilliam	14	14	9	9	–	–	–	–
WL Smith AM	14	14	10	10	7	6	–	–
RA Uechtritz	14	14	–	–	7	7	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.

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

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

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

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES

The relevant interest of each Director in ordinary shares, 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	378,000	33,881	2,500	Nil
SA Chaplain	21,339	Nil	Nil	Nil
TJ Davis	50,000	Nil	15,510	Nil
CJ Mackay	10,000	Nil	Nil	Nil
DI McEvoy	31,339	Nil	Nil	Nil
BI McWilliam	180,665	Nil	Nil	Nil
WL Smith AM	40,800	Nil	Nil	Nil
RA Uechtritz	547,170	Nil	Nil	Nil

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

At the date of this report, there are 33,881 deferred shares in the Company issued to Mr Ryan Stokes under the Company's 2017 Short-Term Incentive Plan (STI Plan) and a further 68,119 deferred shares issued to other senior executives. These deferred shares vested on 1 July 2018. An award of 111,906 deferred shares was made to other senior executives on 1 July 2018 under the Company's 2018 STI Plan.

There are 1,337,700 performance rights issued to senior executives. These rights do not carry an entitlement to participate in any share issue. Rights were granted for nil consideration.

Award	Grant date	Expiry	Number granted
2016 LTI Plan	3 Aug 16	1 Sep 19	267,639
2017 LTI Plan	1 Jul 16	1 Sep 20	441,046
2018 LTI Plan	1 Jul 17	1 Sep 20	294,852
2018 LTI Plan	25 Oct 17	1 Sep 20	36,370
2019 LTI Plan	1 Jul 18	1 Sep 21	297,793
Total			**1,337,700**

177,446 performance rights vested during the financial year under the Company's 2014 LTI Plan. No other options or rights have vested or been exercised during or since the end of the financial year, nor have they expired.

Convertible notes

On 5 March 2018, the Company issued 3,500 convertible notes (notes) at a nominal value of $350.0 million and paying a cash coupon of 2.2 per cent per annum. The notes are listed on the Singapore Exchange and mature seven years from their issue date at their nominal value. The total number of ordinary shares which will be issued if the convertible notes are converted is 14,583,333. At the date of this report, no notes had been converted. For further detail refer to Note 20: Interest Bearing Loans and Liabilities.

REMUNERATION REPORT

Year ended 30 June 2018

MESSAGE FROM THE REMUNERATION & NOMINATION COMMITTEE

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for the 2018 financial year (FY18), which sets out remuneration information for Key Management Personnel and Non-Executive Directors.

STRONG FINANCIAL AND SHARE PRICE PERFORMANCE

This has been a transformative year for the Company with exceptional financial performance and the delivery of superior returns to shareholders.

The Company's growth has been achieved by identifying and capturing unique market opportunities in business sectors including industrial services, energy and media. Performance in FY18 is also the result of a talented and committed executive team leading our Operations and our Group functions.

Key highlights over the year include the sale of WesTrac China, acquisition of the remaining 53.3 per cent investment in Coates Hire, support of Beach Energy's acquisition of Lattice and underwriting of their rights issue, successful completion of the capital raise and convertible notes and the substantial growth in shareholder value as the share price rose from $10.94 in June 2017 to $19.03 in June 2018.

- Total revenue from continuing operations was $3,207.9 million, an increase of 41% on 2017
- Underlying EBIT from continuing operations was $496.9 million, an increase of 67% on last year
- Share price growth of 74%
- Total Shareholder Return (TSR) 81.3%

Over the past five years the Company's TSR performance was 7th highest against the S&P / ASX 100 Index, excluding companies classified as Financials under the Global Industry Classification System ("ASX 100 Index Excluding Financials"), 5th over three years and 2nd highest performing over the last year.

REMUNERATION OUTCOMES IN FY18

The remuneration outcomes provided to KMP Executives in FY18 reflect the following:

- Out performance against key financial metrics
- Strong performance against strategic and operational non-financial metrics
- Organisational transformation through corporate transactional activity
- Safety continues to be a priority for the Group and whilst improvements were made, safety targets were only partially met

The MD & CEO and Group CFO received above target Short-Term Incentives (STI) awards this year. STI awards to other KMP Executives averaged at approximately 80 per cent of STI target opportunity. In determining STI award outcomes, the Board was mindful of recognising significant out performance but where performance outcomes did not meet targets set (for example safety), STI outcomes were accordingly impacted.

Long-Term Incentives (LTI) granted to KMP Executives under the FY18 LTI plan will be subject to a relative TSR performance measure over a three-year performance period. Should the LTI vest, a further one-year trading restriction will apply.

CHANGES TO THE REMUNERATION FRAMEWORK

The Company's ability to attract, retain and reward high quality and diverse leaders is critical to our continued success. The Board recognises the need to ensure that our remuneration practices support this objective to the benefit of our shareholders.

In the lead up to the Annual General Meeting (AGM) in November 2017, the Board received feedback from shareholders on the proposal for a new combined executive incentive structure. The Board considered shareholder views and has refined the remuneration structure to better align with the Company's strategic objectives and the delivery of shareholder returns. An overview of the executive framework is presented in section 2 with further details in section 7. We will continue to review our incentive structures to ensure they meet the Company's objectives.

As always, we value your feedback and look forward to welcoming you to our 2018 AGM.

Yours faithfully,

Terry Davis
Chairman of the Remuneration & Nomination Committee

REMUNERATION REPORT

REMUNERATION REPORT – AUDITED

This Remuneration Report for the year ended 30 June 2018 (FY18) 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. **Key changes to executive remuneration framework in FY18 and FY19**
3. **Summary of performance and incentive outcomes in FY18**
4. **Remuneration governance**
5. **Executive remuneration principles: linking strategy with outcomes**
6. **Link between remuneration and Group performance**
7. **KMP Executive remuneration framework**
8. **Executive Chairman and Non-Executive Director remuneration framework**
9. **Summary of executive contracts**
10. **KMP equity holdings**
11. **KMP related party transactions**
12. **Remuneration in detail**

1. INTRODUCTION

The Remuneration Report outlines key aspects of remuneration policy, framework and remuneration awarded to Key Management Personnel (KMP) during FY18.

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 (excluding the Executive Chairman) and Group Executives are hereafter collectively referred to in this report as KMP Executives.

The Group's KMP for FY18 are listed in the table below.

Executive Directors	
Kerry Matthew Stokes AC	Executive Chairman
Ryan Kerry Stokes	Managing Director & Chief Executive Officer (MD & CEO)
Bruce Ian McWilliam[(a)]	Commercial Director
Non-Executive Directors	
Sally Annabelle Chaplain	Director
Terry James Davis	Director
Christopher John Mackay	Director
David Ian McEvoy	Director
Warwick Leslie Smith AM	Director
Richard Anders Uechtritz	Director
Group Executives	
Gitanjali Bhalla	Group Executive, People & Culture and Safety (commenced 16 October 2017)
Jarvas Ernest Croome	Chief Executive Officer, WesTrac Australia
Jeff Dale Fraser[(b)]	Chief Executive Officer, Coates Hire (KMP effective 25 October 2017)
Richard Joseph Richards	Group Chief Financial Officer (Group CFO)
Murray John Vitlich	Group Chief Operating Officer

(a) Mr B McWilliam is employed by Seven West Media Limited with his 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 his services. Remuneration for Mr B McWilliam also includes payments to a company associated with Mr B McWilliam that was party to a consulting agreement with the Group.

(b) Mr Jeff Fraser commenced as a KMP Executive from 25 October 2017 following the acquisition of the remaining 53.3 per cent of Coates Hire.

2. KEY CHANGES TO EXECUTIVE REMUNERATION FRAMEWORK IN FY18 AND FY19

Prior to the AGM in November 2017, shareholders expressed concerns on the proposal for a new combined executive incentive structure. The Board reviewed the proposal and upon making further refinements is comfortable that the FY18 remuneration framework is market competitive and appropriately links executive pay to the achievement of the Company's strategic and business objectives, ultimately, generating returns for shareholders.

A snapshot of the executive remuneration framework for FY18 is summarised below.

		Delivery	Structure and payout mechanism
Fixed	Fixed Remuneration (FR)	Cash	• Base pay and superannuation • Aligned with market pay comparators • Set to reflect experience and role complexity • Ensures attraction and retention of best candidates
Variable 'at risk' and linked to performance	Short Term Incentive (STI) (60% of FR)	Cash	• STI plan gateway is 90 per cent of underlying EBIT • Key Performance Indicators (KPIs) are set at the start of the financial year • KPIs are weighted between financial metrics, delivery against strategic initiatives, leadership and safety metrics
		Deferred Share Rights 2-year vest plus a one year trading restriction	• Half of the incentive outcome is delivered to the KMP Executive in cash after the financial year end, and the other half is delivered in equity rights, deferred for two years with a further one-year trading restriction
	Long Term Incentive (LTI) (40% of FR)	Performance Rights 3-year vest plus a one year trading restriction	• Rights issued at the start of the performance period • Rights only vest if the relative Total Shareholder Return (TSR) performance measure against the ASX 100 Index Excluding Financials is met or exceeded

Key highlights for FY18 are follows:

- **Fixed Remuneration:** KMP Executive fixed pay remains unchanged from last year.
- **STI:** Increased STI deferral from one year to two years with a one-year trading restriction for FY18 to better align executives with shareholder outcomes. This means that executives do not realise value for three years under the deferred STI structure for FY18.
- **LTI:** Change to a single LTI performance metric of TSR. Given the diversity of the businesses within SGH across multiple industry sectors, the single TSR metric most clearly aligns our executives to maximising returns to shareholders through long-term, sustainable value creation.

Changes to the incentive opportunity in FY19

In FY19 the Board determined that the following changes will be made to the incentive opportunity for KMP Executives to align with the Group's remuneration principles and to strengthen the link between performance and pay outcomes both in the short and longer term. An increased weighting towards performance-based pay will provide for a remuneration mix more reflective of the Company's peer group.

MD & CEO and Group CFO

- STI Target increase to 75 per cent of FR with a maximum STI opportunity of 100 per cent of FR
- LTI Target increase to 60 per cent of FR

Other Executive KMP

- STI Target opportunity remains at 60 percent of FR with a maximum STI opportunity of 80 per cent of FR
- LTI Target increase to 50 per cent of FR

REMUNERATION REPORT

3. SUMMARY OF PERFORMANCE AND INCENTIVE OUTCOMES IN FY18

This section summarises how the Company's performance for FY18 has driven remuneration outcomes for KMP Executives.

Every year, the Board sets challenging performance targets for management and directly aligns executive incentives to the achievement of those targets. Where performance does not meet targets set, executives derive no benefit from their 'at risk' incentive components.

FY18 was an outstanding year of achievement for the Company with Executives delivering results well above the high expectations of the Board. This is demonstrated in the following outcomes:

Strong results ahead of budget targets and guidance as evidenced by:

- FY18 Group underlying EBIT from continuing operations of $496.9 million was 67% up on the prior year
- Share price growth 74%
- TSR performance 81.3%

Major value accretive transactions completed:

- WesTrac China sale completed optimising value at the right time of the cycle and further strengthening the balance sheet
- The remaining 53.3 per cent economic stake in Coates Hire was acquired, delivering increased exposure to growth in East Coast infrastructure
- Beach Energy acquisition of Lattice completed with SGH's additional investment of $118 million including underwriting, creating value for SGH shareholders

Capital management that enhanced shareholder value:

- Strong capital markets support for the Group demonstrated through oversubscribed equity raising of $385 million and issue of $350 million convertible notes
- Share price performance of ordinary shares reflected not only the improved market conditions but also the ability to execute on strategic transactions and maintain a strong balance sheet
- Annual dividend increased to 42cps, fully franked

Given the financial performance in the year and the returns to shareholders, STI payments were deservedly made to KMP Executives who contributed to the strategic and operational performance of the Group. In making the STI determinations, KMP Executives were evaluated against additional financial and non-financial targets which resulted in the following outcomes:

- Above target STIs were awarded to the MD & CEO and the Group CFO with STI outcomes awarded to other KMP Executives averaging approximately 80 per cent of STI target opportunity.

The outcomes recognise the strength of the operating performance of the underlying businesses, the delivery of crucial and complex transactions and strong capital management that enhanced shareholder value.

Vesting outcomes from prior periods

Deferred Equity amounts relating to the STI in FY17 will vest for Executives who remain employed on the vesting date.

Impact of accounting for cash settled awards

For some KMP Executives, their circumstances dictate that the equity awards they receive are cash settled. Whilst the value granted follows an identical calculation and allocation mechanism taking into account the same vesting terms and conditions as other KMP Executives, the accounting valuation for cash settled equity may reflect a higher value in the remuneration tables in section 12.B in a year where the share price has risen considerably.

This is in line with the requirement in AASB2: Share Based Payments where the fair value of cash settled equity awards is re-measured at each reporting period, unlike equity settled awards where the fair value is calculated at the grant date. For FY18 the increase in fair value for KMP Executives receiving cash settled equity awards was driven by the increase in share price over the year from $10.94 to $19.03.

4. 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 Terry Davis (Chair)

Mr Richard Uechtritz

Ms Annabelle Chaplain

Mr Warwick Smith AM

Engagement of remuneration advisers

During FY18, 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.

5. EXECUTIVE REMUNERATION PRINCIPLES: LINKING STRATEGY WITH OUTCOMES

Remuneration principles

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

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

- 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;
- 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;
- 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 REPORT

The following diagram illustrates how the Group's remuneration principles are linked to, and support, the business' objectives and their alignment to the long-term interests of shareholders. Further details on the executive remuneration framework are in section 7 of the Remuneration Report.

Business objective

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

Remuneration strategy and objectives

Attract, retain and motivate people of the highest calibre, creating stable leadership and continuity for the Group's operations.

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 and long-term incentives.

Align remuneration structures with the creation of shareholder value, implementation of business strategy and delivery of results.

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 TSR.

Remuneration Framework

<table>
<tr><th></th><th>Fixed remuneration</th><th colspan="2">Short-term incentives</th><th>Long-term incentives</th></tr>
<tr><td rowspan="3">Structure and purpose</td><td rowspan="3">FR consists of base salary and employer superannuation contributions.
Non-monetary benefits are provided in addition to FR. Non-monetary benefits, as disclosed in the remuneration tables, include benefits paid for by the Company such as parking and associated FBT.</td><td>Cash</td><td>Deferred Equity</td><td rowspan="3">The LTI plan provides for grants of performance rights to KMP Executives to align with shareholder outcomes.</td></tr>
<tr><td colspan="2">STI plan delivers an annual STI outcome where executives have achieved stretch financial and non-financial performance measures.</td></tr>
<tr><td>50 per cent of the total STI outcome is delivered as cash.</td><td>50 per cent of the total STI outcome is delivered as deferred share rights that vest after two years, provided the Executive remains employed within the Group at the time of vesting.</td></tr>
<tr><td>Connecting to objectives</td><td>FR is set with regard to listed companies of a similar size and complexity taking into account the capability and experience of the individual. Paying market competitive remuneration ensures the attraction and retention of talent.
Remuneration levels are reviewed by the Committee and where required external consultants may be requested to provide analysis and advice to ensure the KMP Executives' remuneration is competitive in the market place.</td><td colspan="2">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;
• Cash flow metrics;
• Leadership, diversity and staff development;
• Operational efficiency;
• Safety performance;
• Strategic direction; and
• Investment performance.
If a minimum level of Group underlying EBIT is not attained, no incentive will be paid subject to the discretion of the Board.</td><td>This incentive does not become available to KMP Executives (vest) until (and unless) relative TSR for the three years after the grant is at 51st percentile or better relative to the ASX 100 Index Excluding Financials. Full vesting requires performance at or above the 75th percentile.
The executive's LTI will be reduced, down to 'zero' in instances where TSR is less than the 51st percentile of the peer group.</td></tr>
</table>

Minimum shareholding guidelines for KMP Executives

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

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

All KMP Executives presently comply with the minimum shareholding guidelines. Shareholdings for each KMP are detailed in section 10 of the Remuneration Report.

6. LINK BETWEEN REMUNERATION AND GROUP PERFORMANCE

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

Awards under the STI plan are 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 measures set relevant to the responsibility of each Executive. Any resulting equity rights delivered under the STI plan, which do not vest for two years, further aligns KMP Executives with shareholders.

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

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

	2018	2017	2016	2015	2014
Statutory NPAT ($m)[(a)]	$415.6	$46.2	$197.8	$(359.1)	$262.5
NPAT (excluding significant items) ($m)[(a)(b)]	$332.3	$215.4	$184.2	$204.3	$253.2
Significant items ($m)[(a)]	$83.3	$(169.2)	$13.6	$(563.4)	$9.3
Profit before significant items, net finance costs and tax (Group underlying EBIT) ($m)[(a)]	$514.1	$333.3	$302.8	$314.5	$374.4
Dividends declared per ordinary share (cents)	42.0	41.0	40.0	40.0	40.0
Share price at financial year end	$19.03	$10.94	$6.01	$6.54	$7.41
Statutory basic EPS[(a)]	$1.27	$0.07	$0.60	$(1.29)	$0.77
EPS (excluding significant items)[(a)]	$1.00	$0.67	$0.56	$0.59	$0.74
Diluted EPS (excluding significant items)[(a)]	$0.98	$0.67	$0.56	$0.59	$0.74
Total Shareholder Return	81.3%	93.8%	2.4%	(4.2)%	12.9%
Relative Total Shareholder Return	69.1%	80.3%	(10.1)%	(20.0)%	(4.8)%

(a) 2018 and 2017 figures are for continuing and discontinued operations. FY18 Group underlying EBIT from continuing operations is $496.9 million.

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

7. KMP EXECUTIVE REMUNERATION FRAMEWORK

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

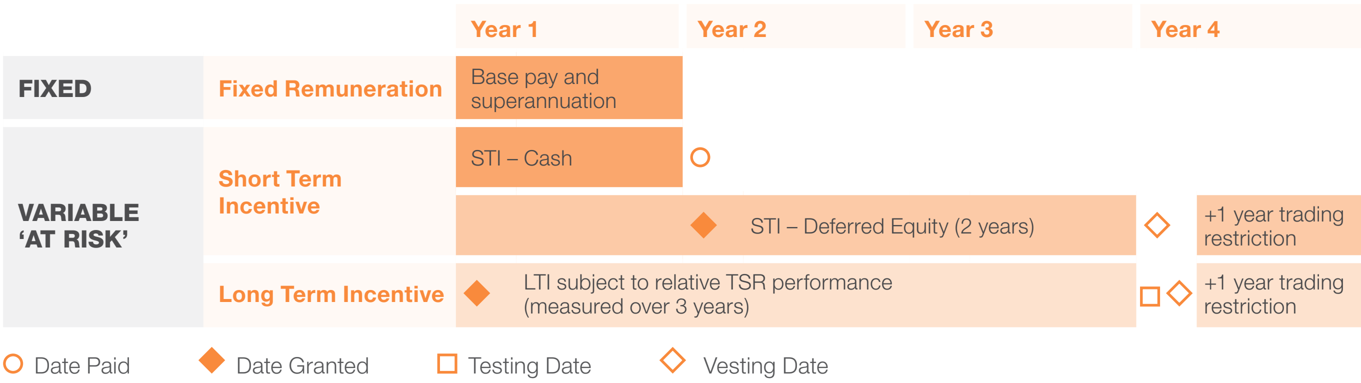
Total remuneration comprises of fixed and variable remuneration (which is dependent on the achievement of financial and non-financial performance measures). The Group aims to reward Executives with a level and mix (comprising fixed remuneration, short and long-term incentives) of remuneration appropriate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

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

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

REMUNERATION REPORT

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

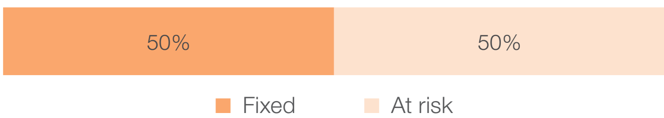


Remuneration mix

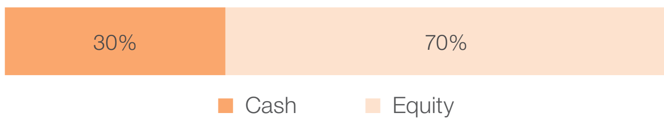
The ratio between executive fixed and variable pay incentivises executives to focus on the Company's short and long-term performance. The diagram below shows KMP executives' target remuneration mix for FY18 and how this mix is further distributed to focus executives by using a mix of short term cash and long-term equity instruments.

KMP Executives

Remuneration Mix



Variable (At risk) remuneration
Cash and equity mix



The STI and LTI plans are described in detail below.

A. Short-term incentive plan

KMP Executives participated in the Company's STI plan in FY18 which provided the opportunity to receive an annual incentive subject to the achievement of annual financial and other performance objectives.

STI opportunity

For FY18, the target opportunity under the STI plan for each KMP Executive participating in the STI plan is 60 per cent of FR.

Financial gateway

A minimum financial outcome must be achieved before KMP Executives become eligible for an STI. This is called a financial gateway and helps clearly align the interests of shareholders and executives by limiting STI awards 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. If the Group does not achieve at least 90 per cent of underlying EBIT, no STI payments become available subject to the discretion of the Board.

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

STI goals

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

The KPIs for each KMP Executive are reviewed by the Remuneration & Nomination Committee and agreed to prior to the commencement of the new financial year. KPIs are required to be challenging and focus management on strategic business objectives that ultimately create shareholder value. Financial KPIs are selected as they represent value creation and reflect the Company's core financial metrics. Non-financial KPIs selected will ultimately have a financial impact; whether it is from driving organisational efficiencies or improving safety in the workplace.

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 award

50 per cent of the STI award is delivered as a lump sum cash payment with the remaining 50 per cent of the award delivered as share rights. Once granted, the share rights vest subject to continued employment over a two-year vesting period. For the FY18 award, the two-year vesting period commenced on 1 July 2018 and will conclude on 30 June 2020. Once vested the shares are subject to an additional trading restriction for one year.

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

Short-Term Incentive plan – Deferred Share Rights	
Who will participate?	KMP Executives employed 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 vests at the end of the two-year period.
How many shares rights will be granted?	The number of share rights granted to each participating KMP Executive is equivalent to 50 per cent of their STI award divided by the closing 30 June share price prior to the commencement of the vesting period, adjusted for the value of expected dividends foregone.
What will be the vesting performance measures?	The share rights granted under the STI plan do not have any further performance hurdles and vest subject to continuous employment over a two-year vesting period.
Do the share rights carry dividend or voting rights?	The share rights do not carry dividend or voting rights.
What happens in the event of a change in control?	In the event of a change of control of the Company, any unvested share rights will vest.
What happens if the participant ceases employment?	If the participant ceases employment with the Company due to termination for cause or gross misconduct, or other reasons determined by the Board all unvested share rights will lapse. If the participant ceases employment other than for the reasons outlined above the share rights will not lapse, unless the Board determines otherwise.

FY18 STI outcomes

FY18 has been a significant year with strong financial performance and a number of notable achievements delivered by the executive team.

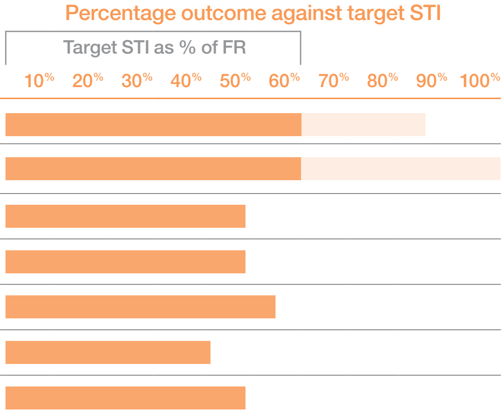
Individual performance against FY18 measures

The table below provides the detail of the level of performance achieved against KPIs and the resulting STI (expressed as a percentage of FR) awarded for FY18.

Percentage of KPI achievement and link to STI outcomes

For FY18, the target STI for all KMP Executives was 60 per cent.

	Achievement against KPIs	Percentage of target STI awarded		Percentage of target STI not awarded	Percentage of FR
RK Stokes	Above 100%	142%	50 per cent awarded in cash	0%	85%
RJ Richards	Above 100%	170%		0%	102%
G Bhalla [(a)]	80%	80%	50 per cent awarded in deferred share rights (or equivalent as required[(a)(b)])	20%	48%
JE Croome	80%	80%		20%	48%
JD Fraser	90%	90%		10%	54%
BI McWilliam[(b)]	70%	70%		30%	42%
MJ Vitlich	80%	80%		20%	48%



(a) For Ms G Bhalla who has limitations on share ownership due to independence requirements, the deferred STI component will be awarded as phantom rights, to be cash settled after 2 years.

(b) Previously Mr B McWilliam's deferred STI component has been cash settled where the after-tax amount was used to purchase shares in the Company subject to a 2-year trading restriction. For FY18, Mr B McWilliam will receive equity settled awards (share rights) similar to other executives.

REMUNERATION REPORT

Business performance against FY18 measures

A summary of Executive goals has been developed in the table below which explains why goals were selected and notable performance against them.

Performance category and weighting	Performance measure	Key rationale	Performance outcome highlights
Financial MD & CEO, Group CFO, Group COO, CEO WesTrac, CEO Coates Hire (50%) Other Executive KMP (30% to 40%)	Group – Underlying EBIT (UEBIT) – Cash flow targets – Capital efficiency Individual business performance against business drivers: UEBIT, cashflow, margins	The financial metrics outlined are key performance measures for the Group.	Group UEBIT YOY growth 149% Outperformance of Group UEBIT target by 127% On average, individual wholly owned business performance 123% over UEBIT.
Strategic (30% to 50%)	Performance of the investment portfolio Market and investor relationships Group operational efficiencies Delivery of customer focussed initiatives Major contract wins	Company performance is determined based on the success of the overall portfolio at group level, management of capital and the success of individual businesses which are wholly or significantly owned. Strategic objectives at the group level focus on the delivery of the portfolio, capitalising on opportunities and drive the performance of complex elements which create long term value. The strategic metrics within the businesses focus each executive on excellence and high performance within their business.	Strong capital management which included a capital raising. Deployment of value accretive transactions including underwriting Beach Energy's acquisition of Lattice Energy. Effective management of the operational businesses to drive better margins, productivity and utilisation. WesTrac parts sales increased by 25% on prior year which included major new equipment and major rebuild contracts. Coates Hire time utilisation showed YOY improvement, average hire value increased by 16%.
People, Leadership and Safety (10% to 30%)	Engagement and diversity targets Safety indicators which include LTIFR and TRIFR as well as other lead metrics	Building a people culture that synonymously encourages engagement and performance that drives value for the Company. Safety remains a key focus for executives, especially given the industries in which we operate. Ultimately, keeping our people safe is the Group's top priority.	Successful roll out of initiatives relating to diversity improvements and talent management initiatives, executive succession planning; increased engagement and strategic management of the workforce in a tightening labour market. Safety targets were not achieved in some of the business entities, and this resulted in lower KPI payout. As a result, businesses have introduced safety cultural change programs focussing on leading behaviour, whilst still measuring TRIFR and LTIFR.

B. Long-term incentive plan

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

LTI opportunity

For FY18, the target opportunity under the LTI plan for each KMP Executive participating in the LTI plan is 40 per cent of FR. In FY19, this will increase to 60 per cent for the MD & CEO and Group CFO and 50 per cent for other KMP executives respectively.

Once granted, awards only vest if the performance hurdles over a three-year performance period are met. For the FY18 award, the three-year performance period commenced on 1 July 2017 and will conclude on 30 June 2020. Following vesting, the shares are subject to a one-year trading restriction which means that under the terms of the LTI, executives will only be able to capitalise value from the awards at the end of a four-year period.

The performance hurdle for the FY18 grant is relative TSR against a comparator group of the ASX 100 Index Excluding Financials as disclosed at the 2017 AGM. The Group's focus remains on maximising returns to shareholders through long term, sustainable value creation. The Board believes that the relative TSR metric most clearly aligns our executives to this strategic objective. The peer group was determined as the most appropriate comparator group given the diversity of the Company's holdings across the industrial services, media, energy and other investments.

Long-Term Incentive plan	
What is granted?	Performance rights are 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 R Stokes, Ms G Bhalla and Mr B McWilliam 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 are granted?	The value of LTI granted annually is 40 per cent of the relevant KMP Executive's FR. The number of performance rights granted to each KMP Executive is equivalent to the face value of the LTI grant divided by an amount calculated based on closing price adjusted for dividends foregone as at the commencement of the performance period in accordance with the terms and conditions of the plan.
What will be the vesting performance measures?	The vesting of performance rights granted under the LTI plan will be dependent on a relative Total Shareholder Return (TSR) measure.
Why was the TSR performance hurdle chosen, and how is performance measured?	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 above the 51st percentile of the comparator group. The comparator group chosen for assessing the Company's relative TSR consists of constituents of the ASX 100 Index Excluding Financials. This comparator group was selected as it represents a broad base of companies against which investors may benchmark their investment. The comparator group is defined at the start of the performance period. The composition of the comparator group may change as a result of corporate events, such as mergers, acquisitions, de-listings etc. The Board has agreed guidelines for adjusting the comparator group following such events, and has the discretion to determine any adjustment to the comparator group. The percentage of TSR performance rights that vest (if any) at the end of the performance period will be based on the following schedule:

Company's TSR ranking relative to comparator group companies	Proportion of TSR performance rights that vest (%)
Above the 75th percentile	100%
Between the 51st and up to 75th percentiles	50% vesting on a straight-line basis
Below 51st percentile	Nil

When will performance be tested?	Awards will be subject to a three-year performance period with an additional one year trading restriction. The three-year performance period commences at the beginning of the financial year to which the award relates. In the case of the FY18 award, the performance period commenced on 1 July 2017. 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.
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 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.

Accounting standards require that the expense relating to equity instruments (such as the performance shares and options allocated under the LTI plan) be reflected over the 'performance period', notwithstanding that the executives may never receive any actual value from such a grant (as disclosed in Table 12).

LTI awards are structured as rights to acquire ordinary shares in the Company at no cost to the participant and will only deliver benefits to participants if shareholder returns are achieved and the KMP Executive remains employed by the Company over the three-year performance period. For Mr R Stokes who has an interest in shares in the Company which represents more than 10 per cent of the Company's issued share capital, and for Ms G Bhalla who has limitations on share ownership due to independence requirements the LTI awards will be cash settled, should the rights vest. Mr B McWilliam received a cash settled LTI in FY18, but will receive an equity based award from FY19.

REMUNERATION REPORT

Prior LTI grants

For FY17, the LTI plan was amended to remove the NPAT hurdle as a condition of grant and at the same time the Company introduced a four-year performance period. Performance rights were awarded at the commencement of the performance period to eligible KMP.

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.

The Company did not achieve its NPAT target in FY15 and accordingly no grant was made.

As disclosed last year, rights granted under the LTI plan during FY15 in respect of FY14 performance vested in August 2017.

The performance conditions for prior grants are listed below.

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

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

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

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

The Board has discretion to adjust the EPS for significant items as it considers appropriate.
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 $0.07.

Coates Hire legacy arrangements

Mr J Fraser participated in the Coates Hire LTI Plan prior to the full acquisition by the Company. The LTI plan was a cash bonus incentive designed to link performance to long term sustainable success. The award of $308,000 made relating to FY17 to Mr J Fraser will become payable in September 2019. In addition, and also prior to the full acquisition of Coates Hire Mr J Fraser was awarded a $200,000 bonus relating to his role as both the CFO and CEO, also payable in September 2019. Both awards are subject to continued employment conditions. In FY18, Mr Fraser transitioned to the SGH remuneration framework, similar to other KMP Executives.

C. Managing Director & Chief Executive Officer remuneration

Mr R Stokes was appointed Managing Director & Chief Executive Officer on 1 July 2015. Mr R 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.

Fixed remuneration

The MD & CEO's FR is $1.6 million per annum inclusive of superannuation and has remained unchanged since his appointment.

FR 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 (at-risk) remuneration

The MD & CEO is eligible to participate in performance-linked remuneration consistent with other KMP Executives under the Company's STI plan described at section 7.A of the Remuneration Report and the Company's LTI plan described at section 7.B of the Remuneration Report.

The MD & CEO's at-target opportunity under the STI plan is 60 per cent of FR. The MD & CEO's at-target opportunity under the LTI plan is 40 per cent of FR.

In FY19, the MD & CEO's at-target opportunity under the STI plan will increase to 75 per cent of FR, capped at 100 per cent of FR. From FY19, the MD & CEO's at-target opportunity under the LTI plan will increase to 60 per cent of FR to align with market.

Impact of accounting for cash settled awards

Tax deferral on equity incentive plans is not permitted where an executive has an interest in shares in the Company which represents more than 10 per cent of the Company's issued share capital. As such, 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. As Mr R Stokes 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 re-measured each year, unlike equity settled plans where the fair value is calculated at the start of the performance period.

As per the requirement in AASB 2: Share Based Payments, the fair value of cash settled equity awards was re-measured and the fair value of Mr R Stokes' cash settled equity awards increased by approximately $1,980,307. This increase in fair value of the cash settled equity awards is a result of the increase in share price over the year from $10.94 to $19.03. In the event that the awards had been equity settled, the total remuneration reflected in the remuneration tables at section 12.B would be $3,308,262 as compared to $5,288,569.

8. 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.

Approved fee pool

Following shareholder approval at the 2017 AGM, the aggregate pool available for the payment of fees to the Executive Chairman and Non-Executive Directors increased to $2.2 million per annum.

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

Executive Chairman and Non-Executive Director fees

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

Non-Executive Directors receive a fixed fee which includes a base fee and additional fees for being the Chair or member of a Board Committee (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.

The table below sets out the base and committee fees inclusive of superannuation as they applied.

	Base Fee		Committee Chair Fee		Committee Member Fee	
Role	2018	2017	2018	2017	2018	2017
Executive Chairman	$350,000	$350,000				
Non-Executive Director	$160,000	$150,000				
Audit & Risk			$80,000	$60,000	$20,000	$20,000
Remuneration & Nomination			$40,000	$40,000	$20,000	$20,000
Independent & Related Party			$40,000	$40,000	$20,000	$20,000

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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
G Bhalla	On-going	6 months	6 months	No contractual termination payments
JE Croome	On-going	6 months	6 months	No contractual termination payments
JD Fraser	On-going	6 months	6 months	No contractual termination payments
RJ Richards	On-going	6 months	6 months	No contractual termination payments
MJ Vitlich	On-going	6 months	6 months	No contractual termination payments

Mr B McWilliam's services are provided under an agreement with Seven West Media Limited, as such Mr B McWilliam does not have any applicable contract term, notice period or contractual termination payments with SGH.

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

10. 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 and FY17 performance and awarded KMP Executives deferred share rights that 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 FY18 under the deferred STI plan are detailed below.

KMP	Grant date	Vesting date	Fair value per share at grant date	Held at 1 July 2017	Granted	Forfeited	Vested	Held at 30 June 2018
RK Stokes	1 Jul 16	1 Jul 17	$5.46	58,630	–	–	(58,630)	–
	1 Jul 17	1 Jul 18	$10.33	–	33,881	–	–	33,881
				58,630	**33,881**	**–**	**(58,630)**	**33,881**
JE Croome	1 Jul 16	1 Jul 17	$5.46	35,269	–	–	(35,269)	–
	1 Jul 17	1 Jul 18	$10.33	–	22,628	–	–	22,628
				35,269	**22,628**	**–**	**(35,269)**	**22,628**
RJ Richards	1 Jul 16	1 Jul 17	$5.46	38,934	–	–	(38,934)	–
	1 Jul 17	1 Jul 18	$10.33	–	21,781	–	–	21,781
				38,934	**21,781**	**–**	**(38,934)**	**21,781**

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 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.

A summary of the LTI plans is provided below.

Performance year	Gateway	Performance measure	Grant date	Vest date	Vesting outcome
FY14	Group NPAT	EPS & TSR	1 December 2014	2017 (3 years)	100%
FY15	Group NPAT	EPS & TSR	No grant awarded, gateway missed	–	–
FY16	Group NPAT	EPS & TSR	3 August 2016	2019 (3 years)	–
FY17	Not applicable	EPS & TSR	1 July 2016	2020 (4 years)	–
FY18	Not applicable	TSR	1 July 2017	2020 (3 years plus 1-year trading restriction)	–

LTI awards are structured as rights to acquire ordinary shares in the Company or cash settled equivalent at no cost to the executive.

Details of the vesting profiles of the performance rights held by KMP Executives during FY18 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	(57,251)	–	30 Jun 18
					57,251	**(57,251)**	**–**	
JE Croome	1 Dec 14	1 Sep 17	$3.89	$6.33	23,536	(23,536)	–	30 Jun 18
	3 Aug 16	1 Sep 19	$4.52	$6.14	83,716	–	–	30 Jun 20
	1 Jul 16	1 Sep 20	$3.50	$4.98	120,087	–	–	30 Jun 21
	1 Jul 17	1 Sep 20	$5.95	–	47,479	–	–	30 Jun 21
					274,818	**(23,536)**	**–**	
JD Fraser	25 Oct 17	1 Sep 20	$7.77	–	36,370	–	–	30 Jun 21
					36,370	**–**	**–**	
RJ Richards	1 Dec 14	1 Sep 17	$3.89	$6.33	45,801	(45,801)	–	30 Jun 18
	3 Aug 16	1 Sep 19	$4.52	$6.14	76,105	–	–	30 Jun 20
	1 Jul 16	1 Sep 20	$3.50	$4.98	109,170	–	–	30 Jun 21
	1 Jul 17	1 Sep 20	$5.95	–	43,163	–	–	30 Jun 21
					274,239	**(45,801)**	**–**	
MJ Vitlich	1 Jul 17	1 Sep 20	$5.95	–	35,609	–	–	30 Jun 21
					35,609	**–**	**–**	

Movements in the holdings of cash settled performance rights held by KMP Executives during FY18 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	Held at 1 July 2017	Granted	Forfeited	Vested	Held at 30 June 2018
RK Stokes	3 Aug 16	1 Sep 19	$4.52	$6.14	121,769	–	–	–	121,769
	1 Jul 16	1 Sep 20	$3.50	$4.98	174,672	–	–	–	174,672
	1 Jul 17	1 Sep 20	$5.95	–	–	69,061	–	–	69,061
					296,441	**69,061**	**–**	**–**	**365,502**

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KMP	Grant date	Expiry date	Fair value per right at grant date TSR component	Fair value per right at grant date EPS component	Held at 1 July 2017	Granted	Forfeited	Vested	Held at 30 June 2018
G Bhalla	16 Oct 17	1 Sep 20	$7.62	–	–	18,991	–	–	18,991
					–	**18,991**	**–**	**–**	**18,991**
BI McWilliam	3 Aug 16	1 Sep 19	$4.52	$6.14	20,929	–	–	–	20,929
	1 Jul 16	1 Sep 20	$3.50	$4.98	30,021	–	–	–	30,021
	1 Jul 17	1 Sep 20	$5.95	–	–	11,869	–	–	11,869
					50,950	**11,869**	**–**	**–**	**62,819**

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

Further details about the LTI plan are set out in section 7.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.

Equity settled

KMP	2019 $	2020 $
RK Stokes	227,333	227,333
JE Croome	450,511	365,525
JD Fraser	195,973	195,973
BI McWilliam	19,250	19,250
RJ Richards	499,554	422,295
MJ Vitlich	136,625	136,625

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 2017	Purchases and other changes during the year	Shares granted as remuneration during the year	Rights converted to shares during the year	Number held at 30 June 2018
KM Stokes AC	207,304,349	–	–	–	207,304,349
SA Chaplain	17,000	4,339	–	–	21,339
TJ Davis	80,000	(30,000)	–	–	50,000
CJ Mackay	10,000	–	–	–	10,000
DI McEvoy	30,000	1,339	–	–	31,339
WL Smith AM	40,800	–	–	–	40,800
RA Uechtritz	776,992	(229,822)	–	–	547,170

Executive KMP	Number held at 1 July 2017	Purchases and other changes during the year	Shares granted as remuneration during the year	Rights converted to shares during the year	Number held at 30 June 2018
RK Stokes	260,780	1,339	–	115,881	378,000
G Bhalla	–	–	–	–	–
JE Croome	19,000	(17,661)	–	58,805	60,144
JD Fraser	–	3,000	–	–	3,000
BI McWilliam	171,970	8,695	–	–	180,665
RJ Richards	–	(38,934)	–	84,735	45,801
MJ Vitlich	–	–	–	–	–

TELYS4

KMP	Number held at 1 July 2017	Purchases and other changes during the year	Number held at 30 June 2018
TJ Davis	15,510	–	15,510
RK Stokes	2,500	–	2,500
JE Croome	1,650	–	1,650
RJ Richards	15,405	12,840	28,245

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 SGH shares, if the dealing is prohibited under the Corporations Act 2001. Therefore, in accordance with this policy, all KMP are prohibited from entering into arrangements in connection with Seven Group Holdings Limited shares which operate to limit the executives' economic risk under any equity-based incentive schemes.

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

E. Clawback provision

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

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

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

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11. KMP RELATED PARTY TRANSACTIONS

Key Management Personnel related party transactions

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

The Group transacted with entities of which the Directors of the Company, Mr Kerry Stokes AC and Mr R Stokes are or were Directors of Officers (excluding equity accounted investees, which are disclosed in Note 33 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:

	2018 $	2017 $
Revenue		
Lease incentive	–	4,888,940
Equipment sales and hire	20,582	–
Total revenue	**20,582**	**4,888,940**
Expenses		
Lease of premises and related outgoings	6,728,938	20,704,556
Travel expenses	164,570	105,060
Consulting agreement	504,687	250,000
Other net expense reimbursements	9,554	412,512
Total expenses	**7,407,749**	**21,472,128**
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 ended 30 June 2017, 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.

Loans and other transactions with Key Management Personnel

During the year, a company associated with a Director, Mr B McWilliam, was party to a consulting agreement with the Group. Total fees paid during the year in relation to this consulting agreement totalled $250,000 (2017: $250,000). This amount is included in the remuneration disclosures and in the table above.

During the year ended 30 June 2018, Mr Kerry Stokes AC and Mr R 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. Mr Warwick Smith AM receives director fees for his services provided to Flagship Property Holdings Pty Limited. Mr R Stokes and Mr R 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.

Other director fees (SGH Appointed)	2018 $	2017 $
KM Stokes AC	312,177	377,129
WL Smith AM	75,000	70,000
RK Stokes	252,205	247,341
RJ Richards	127,590	46,479

Other transactions with the Group

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

Entities controlled by the Company agreed to sub-underwrite the institutional and retail tranches of Beach Energy's '3 for 14 Entitlement Offer' in September 2017 for up to 68,260,311 New Shares ("Sub-Underwriting Cap"). The Group received an arm's length fee for its sub-underwriting commitment which is materially the same as paid by the Underwriters to other institutional sub-underwriters.

12. REMUNERATION IN DETAIL

A. Total remuneration earned by KMP Executives in FY18 (non-statutory disclosures)

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

The values in this table will not reconcile with those provided in the statutory disclosures in table 12.B. For example, table 12.B 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 FY18.

KMP Executive	Year	Cash salary & fees $	STI cash bonus $	Non-monetary benefits[a] $	Super-annuation benefits $	Deferred STI vested in the year $	LTI vested in the year $	Total $
RK Stokes (Managing Director & Chief Executive Officer)	**2018**	**1,579,951**	**350,000**	**120,341**	**20,049**	**746,049**	**689,039**	**3,505,429**
	2017	1,580,384	320,000	11,914	19,616	–	–	1,931,914
G Bhalla[b] (Group Executive, People & Culture and Safety) (commenced 16 October 2017)	**2018**	**289,092**	**–**	**1,525**	**25,000**	**–**	**–**	**315,617**
	2017	–	–	–	–	–	–	–
JE Croome (Chief Executive Officer, WesTrac Australia)	**2018**	**1,079,951**	**233,750**	**35,823**	**20,049**	**448,787**	**299,489**	**2,117,849**
	2017	1,080,692	192,500	2,081	19,616	–	–	1,294,889
JD Fraser[b] (Chief Executive Officer, Coates Hire) (KMP effective 25 October 2017)	**2018**	**671,861**	**308,000**	**49,147**	**13,743**	**–**	**–**	**1,042,751**
	2017	–	–	–	–	–	–	–
BI McWilliam (Commercial Director)	**2018**	**525,000**	**37,813**	**–**	**–**	**43,658**	**–**	**606,471**
	2017	525,000	41,250	–	–	–	–	566,250
RJ Richards (Group Chief Financial Officer)	**2018**	**976,238**	**225,000**	**2,153**	**23,762**	**495,423**	**582,804**	**2,305,380**
	2017	973,071	212,500	5,245	25,968	–	–	1,216,784
MJ Vitlich (Group Chief Operating Officer) (commenced 1 June 2017)	**2018**	**804,951**	**–**	**2,153**	**20,049**	**–**	**–**	**827,153**
	2017	63,846	–	351	4,904	–	–	69,101
Total KMP Executives	**2018**	**5,927,044**	**1,154,563**	**211,142**	**122,652**	**1,733,917**	**1,571,332**	**10,720,650**
	2017	4,222,993	766,250	19,591	70,104	–	–	5,078,938

(a) Non-monetary benefits include costs relating to company events and the associated fringe benefits tax. In FY18, costs relating to attending the Commonwealth Games are included for Mr R Stokes, Mr J Croome and Mr J Fraser, as part of the Seven West Media coverage.

(b) Remuneration rates for Ms G Bhalla reflects her start date. Remuneration rates for Mr J Fraser have been pro-rated from his start date as KMP to reflect the date of the acquisition of the remaining 53.3 per cent of Coates Hire.

REMUNERATION REPORT

B. Total remuneration for KMP Executives in FY18 (statutory disclosures)

The following table sets out the audited remuneration details for the KMP Executives for the year ended 30 June 2018, calculated in accordance with statutory accounting requirements.

		Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Share-based payments					
KMP Executive	Year	Salary & fees $	STI cash bonus $	Non-monetary benefits[(a)] $	Superannuation benefits $	Long service leave and annual leave $	Deferred Incentive $	Termination benefits $	Performance rights[(b)] $	Deferred shares/share rights $	Cash settled equity (employee expense)[(b)] $	Cash settled equity (re-fair value)[(c)] $	Total $	Remuneration performance related %
RK Stokes[(c)] (Managing Director & Chief Executive Officer)	**2018**	**1,579,951**	**682,000**	**120,341**	**20,049**	**(4,155)**	**–**	**–**	**–**	**402,333**	**507,743**	**1,980,307**	**5,288,569**	**68**
	2017	1,580,384	350,000	11,914	19,616	45,521	–	–	285,433	335,000	250,363	384,493	3,262,724	49
G Bhalla (Group Executive, People & Culture and Safety) (commenced 16 October 2017)	**2018**	**289,092**	**74,800**	**1,525**	**25,000**	**3,603**	**–**	**–**	**–**	**18,700**	**36,178**	**40,451**	**489,349**	**35**
	2017	–	–	–	–	–	–	–	–	–	–	–	–	–
JE Croome (Chief Executive Officer, WesTrac Australia)	**2018**	**1,079,951**	**264,000**	**35,823**	**20,049**	**20,768**	**–**	**–**	**349,074**	**204,875**	**–**	**–**	**1,974,540**	**41**
	2017	1,080,692	233,750	2,081	19,616	11,933	–	–	293,279	213,125	–	–	1,854,476	40
JD Fraser[(d)] (Chief Executive Officer, Coates Hire) (KMP effective 25 October 2017)	**2018**	**671,861**	**180,000**	**49,147**	**13,743**	**(1,549)**	**135,111**	**–**	**70,649**	**60,000**	**–**	**–**	**1,178,962**	**38**
	2017	–	–	–	–	–	–	–	–	–	–	–	–	–
BI McWilliam[(e)] (Commercial Director)	**2018**	**525,000**	**57,750**	**–**	**–**	**–**	**–**	**–**	**–**	**38,157**	**70,076**	**340,355**	**1,031,338**	**49**
	2017	525,000	37,813	–	–	–	–	–	–	39,530	62,192	66,085	730,620	28
RJ Richards (Group Chief Financial Officer)	**2018**	**976,238**	**510,000**	**2,153**	**23,762**	**33,858**	**–**	**–**	**317,339**	**282,500**	**–**	**–**	**2,145,850**	**52**
	2017	973,071	225,000	5,245	25,968	29,750	–	–	387,294	218,750	–	–	1,865,078	45
MJ Vitlich (Group Chief Operating Officer) (commenced 1 June 2017)	**2018**	**804,951**	**198,000**	**2,153**	**20,049**	**34,216**	**–**	**–**	**70,625**	**66,000**	**–**	**–**	**1,195,994**	**28**
	2017	63,846	–	351	4,904	5,288	–	–	–	–	–	–	74,389	–
Total KMP Executive	**2018**	**5,927,044**	**1,966,550**	**211,142**	**122,652**	**86,741**	**135,111**	**–**	**807,687**	**1,072,565**	**613,997**	**2,361,113**	**13,304,602**	
Total KMP Executive	2017	4,222,993	846,563	19,591	70,104	92,492	–	–	966,006	806,405	312,555	450,578	7,787,287	

(a) Non-monetary benefits include costs relating to company events and the associated fringe benefits tax. In FY18, costs relating to attending the Commonwealth Games are included for Mr R Stokes, Mr J Croome and Mr J Fraser, as part of the Seven West Media coverage.

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

(c) Per AASB 2 Share Based Payments, the fair value of cash settled equity awards is re-measured at each reporting period. For FY18 the increase in fair value of the cash settled equity awards is driven by the increase in share price over the year from $10.94 to $19.03. As a result the fair value of Mr R Stokes' cash settled equity awards increased by $1,980,307. In the event that the awards had been equity settled, the total remuneration reflected in the remuneration tables at section 12.B would be $3,308,262 as compared to $5,288,569.

(d) Remuneration rates for Mr J Fraser have been pro-rated from his start date as KMP to reflect the date of the acquisition of the remaining 53.3 per cent of Coates Hire. Deferred incentive relates to amounts awarded by Coates Hire in relation to services provided in FY17, but payable in FY20 subject to continued employment within the Group.

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

C. Total remuneration for non-executive directors in FY18

The following table sets out the audited remuneration details for the Non-Executive Directors for the year ended 30 June 2018, calculated in accordance with statutory accounting requirements.

		Short-term benefits		Post-employment benefits	
Non-Executive Director	Year	Salary & fees $	Non-monetary benefits[(a)] $	Superannuation benefits $	Total $
KM Stokes AC	**2018**	**329,951**	**79,576**	**20,049**	**429,576**
(Executive Chairman)	2017	330,384	40,492	19,616	390,492
SA Chaplain	**2018**	**259,951**	**–**	**20,049**	**280,000**
(Non-Executive Director)	2017	215,761	–	19,267	235,028
TJ Davis	**2018**	**218,227**	**–**	**20,049**	**238,276**
(Non-Executive Director)	2017	191,781	–	18,219	210,000
CJ Mackay	**2018**	**182,648**	**–**	**17,352**	**200,000**
(Non-Executive Director)	2017	173,516	–	16,484	190,000
DI McEvoy	**2018**	**182,648**	**–**	**17,352**	**200,000**
(Non-Executive Director)	2017	173,516	–	16,484	190,000
WL Smith AM	**2018**	**182,648**	**–**	**17,352**	**200,000**
(Non-Executive Director)	2017	173,516	–	16,484	190,000
RA Uechtritz	**2018**	**184,303**	**–**	**17,509**	**201,812**
(Non-Executive Director)	2017	191,781	–	18,219	210,000
Total Non-Executive Director	**2018**	**1,540,376**	**79,576**	**129,712**	**1,749,664**
	2017	1,450,255	40,492	124,773	1,615,520

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

End of audited Remuneration Report.

DIRECTORS' REPORT

INDEMNITY

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

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

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

INSURANCE PREMIUMS

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

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

NON-AUDIT SERVICES

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

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

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 45.

Amounts paid or payable by the Group to the auditor, Deloitte Touche Tohmatsu, for non-audit services provided during the year were $1,370,000 (refer to Note 34 for further detail).

ROUNDING OFF

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

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

KM Stokes AC
Executive Chairman

SA Chaplain
Chair of the Audit & Risk Committee

Sydney
22 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

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

22 August 2018

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 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JLGorton

J L Gorton
Partner
Chartered Accountant

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018 $m	2017 $m
Continuing operations			
Revenue	4	3,207.9	2,282.3
Other income			
Dividend income		29.4	33.0
Gain on sale of derivatives	3	4.2	1.9
Other		43.0	21.2
Total other income		**76.6**	**56.1**
Share of results from equity accounted investees	11	126.7	(182.3)
Revaluation of equity interest on acquisition of Coates Hire	3	14.5	–
Loss on sale of WesTrac China	3	(5.3)	–
Recycling of foreign currency translation reserve on sale of WesTrac China	3	79.9	–
Impairment reversal of equity accounted investee	11	28.6	128.4
Fair value movement of derivatives	3	4.0	1.9
Expenses excluding depreciation and amortisation	4	(2,816.7)	(2,136.1)
Profit before depreciation, amortisation, net finance expense and income tax		**716.2**	**150.3**
Depreciation and amortisation		(145.8)	(30.5)
Profit before net finance expense and income tax		**570.4**	**119.8**
Finance income	5	5.4	8.7
Finance expense	5	(107.1)	(85.2)
Net finance expense		**(101.7)**	**(76.5)**
Profit before income tax		**468.7**	**43.3**
Income tax expense	6	(63.5)	(26.9)
Profit for the year from continuing operations		**405.2**	**16.4**
Profit for the year from discontinued operations	32	10.4	29.8
Profit for the year		**415.6**	**46.2**
Profit for the year attributable to:			
Equity holders of the Company		413.9	44.5
Non-controlling interest		1.7	1.7
Profit for the year		**415.6**	**46.2**
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	(132.8)	(110.7)
Income tax relating to items that will not be reclassified subsequently to profit or loss	24	(25.8)	33.6
Total items that will not be reclassified subsequently to profit or loss		**(158.6)**	**(77.1)**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges: effective portion of changes in fair value	24	(0.1)	(86.3)
Foreign currency differences for foreign operations		(81.6)	(48.6)
Income tax relating to items that may be reclassified subsequently to profit or loss	24	0.3	28.8
Total items that may be reclassified subsequently to profit or loss		**(81.4)**	**(106.1)**
Total comprehensive income for the year		**175.6**	**(137.0)**
Total comprehensive income for the year attributable to:			
Equity holders of the Company		175.0	(138.5)
Non-controlling interest		0.6	1.5
Total comprehensive income for the year		**175.6**	**(137.0)**

		2018 $	2017 $
Statutory earnings per share (EPS)			
From continuing and discontinued operations			
Basic earnings per share	7	1.27	0.07
Diluted earnings per share	7	1.24	0.07
From continuing operations			
Basic earnings per share	7	1.24	(0.03)
Diluted earnings per share	7	1.21	(0.03)

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 2018

	Note	2018 $m	2017 $m
Current assets			
Cash and cash equivalents	18	104.6	172.5
Trade and other receivables	8	580.6	336.5
Inventories	10	828.6	654.7
Other financial assets		2.1	–
Other current assets		27.5	14.0
Derivative financial instruments	23	2.8	0.3
Assets held for sale		2.4	731.4
Total current assets		**1,548.6**	**1,909.4**
Non-current assets			
Investments accounted for using the equity method	11	1,070.0	1,136.5
Other receivables		5.2	4.9
Other financial assets	22	466.8	598.8
Property, plant and equipment	12	835.6	159.9
Producing and development assets	13	222.2	213.9
Exploration and evaluation assets	14	219.6	222.2
Intangible assets	15	1,617.7	456.7
Deferred tax assets	6	–	0.2
Derivative financial instruments	23	127.2	133.5
Total non-current assets		**4,564.3**	**2,926.6**
Total assets		**6,112.9**	**4,836.0**
Current liabilities			
Trade and other payables	9	421.2	288.6
Interest bearing loans and borrowings	20	118.1	40.7
Deferred income		109.9	88.5
Current tax liability		3.2	0.6
Provisions	16	73.1	40.0
Employee benefits	17	70.2	37.8
Derivative financial instruments	23	7.4	2.4
Liabilities held for sale		–	188.0
Total current liabilities		**803.1**	**686.6**
Non-current liabilities			
Other payables		6.5	0.9
Interest bearing loans and borrowings	20	2,022.6	1,439.9
Deferred tax liabilities	6	259.3	122.6
Deferred income		3.6	11.8
Provisions	16	61.2	64.1
Employee benefits	17	17.2	12.8
Derivative financial instruments	23	104.1	72.1
Total non-current liabilities		**2,474.5**	**1,724.2**
Total liabilities		**3,277.6**	**2,410.8**
Net assets		**2,835.3**	**2,425.2**
Equity			
Contributed equity	24	2,858.6	2,472.9
Reserves	24	(887.8)	(647.7)
Retained earnings		853.2	588.0
Total equity attributable to equity holders of the Company		**2,824.0**	**2,413.2**
Non-controlling interest		11.3	12.0
Total equity		**2,835.3**	**2,425.2**

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

PRIMARY STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
Year ended 30 June 2018							
Balance as at 1 July 2017		**2,472.9**	**(647.7)**	**588.0**	**2,413.2**	**12.0**	**2,425.2**
Profit for the year		–	–	413.9	413.9	1.7	415.6
Net change in fair value of financial assets measured at fair value through other comprehensive income	24	–	(132.8)	–	(132.8)	–	(132.8)
Cash flow hedges: effective portion of changes in fair value	24	–	(0.1)	–	(0.1)	–	(0.1)
Foreign currency differences for foreign operations	24	–	(80.5)	–	(80.5)	(1.1)	(81.6)
Income tax on items of other comprehensive income	24	–	(25.5)	–	(25.5)	–	(25.5)
Total comprehensive income for the year		**–**	**(238.9)**	**413.9**	**175.0**	**0.6**	**175.6**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	25	–	–	(125.6)	(125.6)	(1.3)	(126.9)
TELYS4 dividends paid	25	–	–	(23.1)	(23.1)	–	(23.1)
Shares issued	24	385.4	–	–	385.4	–	385.4
Own shares acquired	24	(0.7)	–	–	(0.7)	–	(0.7)
Shares vested and transferred to employees	24	1.0	(1.0)	–	–	–	–
Share based payments		–	(0.2)	–	(0.2)	–	(0.2)
Total contributions by and distributions to owners		**385.7**	**(1.2)**	**(148.7)**	**235.8**	**(1.3)**	**234.5**
Total movement in equity for the year		**385.7**	**(240.1)**	**265.2**	**410.8**	**(0.7)**	**410.1**
Balance as at 30 June 2018		**2,858.6**	**(887.8)**	**853.2**	**2,824.0**	**11.3**	**2,835.3**
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 and transferred 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**

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 2018

	Note	2018 $m	2017 $m
Cash flows related to operating activities			
Receipts from customers		3,314.3	3,054.6
Payments to suppliers and employees		(3,036.4)	(2,772.9)
Dividends and distributions received from equity accounted investees		22.6	66.3
Other dividends received	22	44.3	32.8
Interest and other items of a similar nature received		6.7	8.7
Interest and other costs of finance paid		(90.1)	(80.5)
Income taxes paid		(8.3)	(13.2)
Net operating cash flows	19	**253.1**	**295.8**
Cash flows related to investing activities			
Payments for purchases of property, plant and equipment		(139.9)	(17.9)
Proceeds from sale of property, plant and equipment		12.0	7.7
Payments for purchase of intangible assets		(13.4)	(3.3)
Proceeds from sale of intangible assets		0.1	
Payment for production, development and exploration expenditure		(8.5)	(11.5)
Payments for other investments		(53.1)	(79.3)
Proceeds from sale of other financial assets		60.3	81.3
Proceeds from sale of subsidiary, net of cash disposed		535.3	–
Acquisition of subsidiaries, net of cash acquired and transaction costs		(487.9)	–
Acquisition of equity accounted investees		(118.5)	(2.5)
Loans and deposits paid		(2.5)	–
Net investing cash flows		**(216.1)**	**(25.5)**
Cash flows related to financing activities			
Ordinary dividends paid	25	(125.6)	(112.5)
TELYS4 dividends paid	25	(23.1)	(23.7)
Dividend paid to non-controlling interests		(1.3)	(1.3)
Proceeds from borrowings		1,186.2	366.1
Repayment of borrowings		(1,868.0)	(608.5)
Proceeds from issue of shares		385.2	–
Proceeds from issue of convertible notes		344.5	–
Net financing cash flows		**(102.1)**	**(379.9)**
Net decrease in cash and cash equivalents		**(65.1)**	**(109.6)**
Cash and cash equivalents at beginning of the year		172.5	366.8
Effect of exchange rate changes on cash and cash equivalents		(2.8)	(7.9)
Cash and cash equivalents included in assets held for sale		–	(76.8)
Cash and cash equivalents at end of the year	18	**104.6**	**172.5**

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

BASIS OF PREPARATION

1. BASIS OF PREPARATION

Seven Group Holdings Limited (the Company) is a for profit company limited by shares and the shares are publicly traded on the Australian Securities Exchange (ASX). The Company is domiciled in Australia. These consolidated financial statements cover the year ended 30 June 2018 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 2018.

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

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

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

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

(A) Accounting policies

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

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

- Recognition of deferred tax liabilities on indefinite life intangible assets.
- AASB 15: Revenue from Contracts with Customers (AASB 15) was early adopted by one of the Group's immaterial investments in a joint venture for the year ended 30 June 2018. The Group will adopt AASB 15 from 1 July 2018, the mandatory application date of the standard.
- Accounting for exploration and evaluation assets.

(B) Dividend income

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

(C) Principles of consolidation

Subsidiaries

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

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

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

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

(D) Critical accounting estimates and judgements

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

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

(E) Foreign currency translation

Functional and presentation currency

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

Transactions

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

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

Foreign group entities

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

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

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

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

(F) Goods and Services Tax (GST)

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

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

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

(G) New accounting standards

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Amendments to IAS 7: Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group’s liabilities arising from financing activities consist of interest bearing loans and borrowings (refer to Note 20). A reconciliation between the opening and closing balances of these items is provided in Note 20. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 20, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

New accounting standards effective for future reporting periods

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.

The standard is mandatory for the Group’s 30 June 2019 consolidated financial statements. 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.

BASIS OF PREPARATION

Management conducted a comprehensive analysis of equipment hire revenue in Coates Hire as well as product sales and product support within WesTrac, given these revenue streams account for 97 per cent of the Group's consolidated revenue from continuing operations for the year ended 30 June 2018. The analysis concluded no change in the existing revenue recognition methodology of Coates Hire, with the following impacts noted for WesTrac:

i) separation and deferral of service and goodwill warranties provided on sale of equipment: currently all revenue is recognised upfront on delivery of a machine with a provision recognised for the future estimated costs of warranty. Going forward, these warranties represent a distinct performance obligation, with part of the contract consideration being deferred and recognised as revenue when the service is provided.
ii) contract modifications: WesTrac's maintenance and repair contracts (MARCs) are subject to both modification and extension. Going forward, consideration as to whether a contract modification gives rise to a separate contract or extension will be required as AASB 15 sets out specific rules in dealing with such modifications which may impact the future pattern of revenue recognition.

The changes identified above will not have a material impact to the Group's consolidated financial statements. An analysis of the standard by Beach Energy and Seven West Media has also concluded the standard will not have a material impact on their respective financial statements. AASB 15 provides several transition options for adoption, with the Group adopting 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 (with the exception of short-term leases of less than 12 months) to be brought onto the balance sheet for lessees. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. It is mandatory for the Group's 30 June 2020 financial statements.

Work performed to date has focussed on the identification of the provisions of the standard which will most impact the Group, including determining whether any additional arrangements outside of the Group's operating leases will be considered a lease. Furthermore, management are also assessing the adequacy of Group's lease contract review process as well as evaluating financial reporting systems and lease management software requirements. Accordingly, while at 30 June 2018 the Group has not yet quantified the impact of the new standard, the following changes are anticipated on adoption date:

i) total assets and liabilities will increase, reflecting the recognition of a "Right of use asset" and corresponding "Lease liability", effectively grossing up the consolidated statement of financial position;
ii) interest expense will increase due to the effective interest rate implicit in the lease, with the interest expense component being higher in the early years of a lease;
iii) depreciation expense will increase, reflecting depreciation of the right of use asset;
iv) operating lease rental expense will decrease due to the separation of interest expense and depreciation noted above; and
v) operating cash flow will increase, due to lease repayments being recognised as financing rather than operating cash flows.

At 30 June 2018, the Group had total operating lease commitments of $469.2 million (refer to Note 27). The changes in AASB 16 provide several transition options for adoption, with the retrospective approach requiring the restatement of comparatives as if the standard always applied and the cumulative catch-up approach not requiring restatement of comparatives but differences between asset and liability to be recognised in opening retained earnings at date of transition. The Group is currently in the process of assessing the available options for transition.

RESULTS FOR THE YEAR

2. OPERATING SEGMENTS

Recognition and measurement

Identification of reportable segments

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

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

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

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

The operating segments are identified by management based on the manner in which products are sold, the nature of services provided and country of origin.

WesTrac	WesTrac is the authorised Caterpillar dealer (including Bucyrus/Expanded Mining Products) in Western Australia, New South Wales and the Australian Capital Territory, providing heavy equipment sales and support to customers.
Coates Hire	Coates Hire is Australia's largest general equipment hire company and provides a full range of general and specialist equipment to a wide variety of markets including engineering, building construction and maintenance, mining and resources, manufacturing, government and events. In the prior year, Coates Hire segment represented the Group's equity accounted investment in Coates Hire.
AllightSykes	AllightSykes represents the Group's operations in the manufacture, assembly, sales and support of lighting, FG Wilson power generation and dewatering equipment as well as distribution of Perkins engines.
Media investments	Media investments relate to investments in listed and unlisted media organisations, including but not limited to, Seven West Media Limited.
Energy	Energy relates to the Group's 11.2 per cent working interest in the Bivins Ranch basin in Texas USA, the Group's wholly-owned interest in SGH Energy Pty Limited and the Group's equity accounted investment in Beach Energy Limited (Beach Energy).
Other investments	Other investments incorporates listed investments and property.

The Group is domiciled in Australia and operates predominantly in Australia. Further details regarding the other countries in which the Group operates is provided in pages 55 to 56.

The Group's operations comprising the WesTrac China segment were disposed of during the year. Accordingly, the segment information reported does not include any amounts for the discontinued operations.

RESULTS FOR THE YEAR

2. OPERATING SEGMENTS (CONTINUED)

	WesTrac[a]		Coates Hire		AllightSykes[a]		Media investments[b]		Energy		Other investments		Total	
	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m
Segment revenue														
Sales to external customers	2,452.2	2,203.7	649.8	–	91.2	68.7	–	–	5.9	4.6	8.8	5.3	3,207.9	2,282.3
Segment result														
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)[c]	231.3	190.7	243.0	24.7	4.4	(1.4)	72.6	69.7	73.8	27.8	33.3	36.9	658.4	348.4
Depreciation and amortisation	(28.6)	(26.4)	(113.6)	–	(1.4)	(1.7)	–	–	(2.0)	(2.1)	(0.2)	(0.2)	(145.8)	(30.4)
Segment earnings before interest and tax (EBIT)[d]	**202.7**	**164.3**	**129.4**	**24.7**	**3.0**	**(3.1)**	**72.6**	**69.7**	**71.8**	**25.7**	**33.1**	**36.7**	**512.6**	**318.0**
Other segment information														
Share of results of equity accounted investees included in segment EBIT (excluding significant items)[e]	1.7	0.6	11.4	23.2	–	–	57.0	68.3	73.3	28.3	0.7	0.6	144.1	121.0
(Impairment)/impairment reversal of assets	(29.2)	–	–	–	–	–	28.0	128.4	(5.7)	–	(5.0)	–	(11.9)	128.4
Capital expenditure	(35.1)	(19.8)	(117.1)	–	(0.7)	(0.6)	–	–	(8.5)	(11.5)	–	–	(161.4)	(31.9)
Investments accounted for using the equity method	31.2	29.6	–	300.2	–	–	516.6	443.2	493.4	335.1	28.8	28.4	1,070.0	1,136.5
Other segment assets	1,761.3	1,555.6	2,054.8	–	51.9	37.1	137.6	112.4	442.5	436.3	354.0	515.8	4,802.1	2,657.2
Segment assets	**1,792.5**	**1,585.2**	**2,054.8**	**300.2**	**51.9**	**37.1**	**654.2**	**555.6**	**935.9**	**771.4**	**382.8**	**544.2**	**5,872.1**	**3,793.7**
Segment liabilities	**(476.8)**	**(397.1)**	**(161.0)**	**–**	**(10.2)**	**(13.5)**	**–**	**–**	**(62.5)**	**(59.0)**	**(9.9)**	**(18.0)**	**(720.4)**	**(487.6)**

(a) WesTrac 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) Segment EBITDA comprises profit before depreciation and amortisation, net finance expense, income tax and significant items.
(d) Segment EBIT comprises profit before net finance expense, income tax and significant items.
(e) Segment EBITDA, EBIT and share of results of equity accounted investees excludes the share of results from equity accounted investees attributable to significant items.

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

	2018 $m	2017 $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)	512.6	318.0
Corporate operating costs	(15.7)	(20.8)
Gain on sale of derivatives	4.2	1.9
Revaluation of equity interest on acquisition of Coates Hire	14.5	–
Loss on sale of WesTrac China	(5.3)	–
Recycling of foreign currency translation reserve on sale of WesTrac China	79.9	–
Share of results from equity accounted investees attributable to significant items	(17.4)	(303.3)
Fair value movement of derivatives	4.0	1.9
Impairment reversal of equity accounted investee	28.6	128.4
Impairment of non-current assets	(40.5)	–
Restructuring and redundancy costs	(0.5)	(4.8)
Loss on sale of derivatives	–	(4.0)
Other significant items	6.0	2.5
Net finance expense	(101.7)	(76.5)
Profit before income tax per consolidated income statement	**468.7**	**43.3**

	2018 $m	2017 $m
Reconciliation of segment operating assets to total assets per consolidated statement of financial position		
Segment operating assets	5,872.1	3,793.7
Corporate cash holdings	104.6	172.5
Deferred tax assets	–	0.2
Derivative financial instruments	130.0	133.8
Assets held at corporate level	3.8	4.4
Assets held for sale	2.4	731.4
Total assets per consolidated statement of financial position	**6,112.9**	**4,836.0**
Reconciliation of segment operating liabilities to total liabilities per consolidated statement of financial position		
Segment operating liabilities	(720.4)	(487.6)
Derivative financial instruments	(111.5)	(74.5)
Interest bearing loans and borrowings – current	(118.1)	(40.7)
Interest bearing loans and borrowings – non-current	(2,022.6)	(1,439.9)
Current tax liability	(3.2)	(0.6)
Deferred tax liabilities	(259.3)	(122.6)
Liabilities held at corporate level	(42.5)	(56.9)
Liabilities held for sale	–	(188.0)
Total liabilities per consolidated statement of financial position	**(3,277.6)**	**(2,410.8)**
Segment revenue by geographic segment		
Australia	3,158.2	2,262.1
United Arab Emirates	22.3	9.7
Indonesia	11.5	–
United States of America	9.7	6.6
New Zealand	6.2	3.9
Total segment revenue by geographic segment	**3,207.9**	**2,282.3**

Segment revenues are allocated based on the country in which the customer is located.

RESULTS FOR THE YEAR

2. OPERATING SEGMENTS (CONTINUED)

	2018 $m	2017 $m
Non-current assets by geographic segment		
Australia	2,776.2	951.2
United Arab Emirates	2.6	2.8
Indonesia	10.4	–
United States of America	110.0	101.8
New Zealand	1.1	1.8
Total non-current assets by geographic segment	**2,900.3**	**1,057.6**

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

	2018 $m	2017 $m
Continuing operations		
Gain on sale of derivatives	4.2	1.9
Impairment reversal of equity accounted investee	28.6	128.4
Share of results from equity accounted investees attributable to significant items	(17.4)	(303.3)
Loss on sale of derivatives	–	(4.0)
Revaluation of equity interest on acquisition of Coates Hire	14.5	–
Loss on sale of WesTrac China	(5.3)	–
Recycling of foreign currency translation reserve on sale of WesTrac China	79.9	–
Impairment of non-current assets	(40.5)	–
Fair value movement of derivatives	4.0	1.9
Restructuring and redundancy costs	(0.5)	(4.8)
Significant items in finance income	–	4.8
Acquisition transaction costs incurred	(1.3)	–
Significant items in other income	7.3	2.5
Total significant items before income tax	**73.5**	**(172.6)**
Income tax benefit on significant items	9.8	1.9
Total significant items – continuing operations	**83.3**	**(170.7)**
Discontinued operations		
Fair value movement of derivatives	–	2.1
Total significant items before income tax	**–**	**2.1**
Income tax expense on significant items	–	(0.6)
Total significant items – discontinued operations	**–**	**1.5**

Impairment reversal 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, redundancy, acquisition costs, impairment of assets and onerous contracts.

Revaluation of equity interest on acquisition of Coates Hire relates to the difference between the fair value and carrying value of the Group's investment in Coates Hire on acquisition date. Refer to Note 31: Business Combination.

Loss on sale of WesTrac China relates to the loss recognised on the sale of entities comprising the Group's WesTrac China operating segment to Lei Shing Hong Machinery Limited. Refer to Note 32: Disposal of Business.

Recycling of foreign currency translation reserve on sale of WesTrac China relates to amounts released to the profit or loss from the foreign currency translation reserve following the disposal of the Group's WesTrac China operating segment.

Impairment of non-current assets primarily relates to the impairment of the Group's Echuca Shoals WA-377P exploration permit and impairment of capitalised software development costs.

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 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 hire of equipment	Hire of equipment revenue is recognised commencing on receipt of equipment by the customer and recognised over the period of the contract.
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.

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.

RESULTS FOR THE YEAR

4. REVENUE AND EXPENDITURE (CONTINUED)

	2018 $m	2017 $m
Continuing operations		
Revenue		
Product sales	687.9	578.1
Product support	1,860.9	1,694.2
Hire of equipment[(a)]	644.4	–
Oil, gas and condensate sales	5.9	4.6
Other revenue	8.8	5.4
Total revenue	**3,207.9**	**2,282.3**
Expenditure excluding depreciation and amortisation		
Materials cost of inventory sold and used in product sales and product support	(1,684.1)	(1,494.9)
Repairs, maintenance and consumables used on equipment hire[(a)]	(97.8)	–
Employee benefits	(630.9)	(432.1)
Operating lease rental	(98.2)	(58.2)
Loss on sale of derivatives	–	(4.0)
Impairment of non-current assets	(40.5)	–
Other expenses	(265.2)	(146.9)
Total expenses excluding depreciation and amortisation	**(2,816.7)**	**(2,136.1)**

(a) revenue from hire of equipment and repairs, maintenance and consumables used on equipment hire is for the period 25 October 2017 to 30 June 2018.

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.

	2018 $m	2017 $m
Continuing operations		
Finance income		
Interest income on bank deposits	3.6	3.8
Other	1.8	4.9
Total finance income	**5.4**	**8.7**
Finance expense		
Interest expense	(99.3)	(77.3)
Borrowing costs	(5.2)	(5.4)
Unwind of discount on provisions	(2.6)	(2.5)
Total finance expense	**(107.1)**	**(85.2)**
Net finance expense	**(101.7)**	**(76.5)**

Other finance income in the prior year includes $4.8 million in relation to interest received on a legal settlement and is disclosed as a significant item.

Interest expense includes $4.2 million (2017: $5.2 million) in relation to the fair value movement for cash-settled share appreciation rights and cash-settled share-based payments.

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 and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Seven Group Holdings Limited.

Critical accounting estimate and judgement

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

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

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

RESULTS FOR THE YEAR

6. INCOME TAX (CONTINUED)

	Note	2018 $m	2017 $m
Continuing operations			
Income tax expense			
Current tax expense		(36.6)	28.2
Deferred tax expense		(20.3)	(7.0)
Deferred tax expense – impact of de-recognition of deferred tax assets		–	(53.6)
Adjustment for prior years		(6.6)	5.5
Total income tax expense – continuing operations		**(63.5)**	**(26.9)**
Reconciliation between tax expense and pre-tax statutory profit:			
Income tax using the domestic corporation tax rate 30%		(140.6)	(13.0)
Franked dividends		16.0	22.8
Share of equity accounted investees' net profit		38.8	12.0
Non-assessable income		29.9	0.5
Non-deductible expenses		(1.0)	(1.1)
De-recognition of deferred tax assets		–	(53.6)
(Under)/over provided in prior years		(6.6)	5.5
Total income tax expense – continuing operations		**(63.5)**	**(26.9)**
Deferred income tax recognised in other comprehensive income			
Relating to financial assets at fair value through other comprehensive income	24	(25.8)	33.6
Relating to cash flow hedge reserve	24	0.3	28.8
Total deferred income tax recognised directly in equity		**(25.5)**	**62.4**
Discontinued operations			
Income tax expense			
Current tax expense		–	(8.5)
Deferred tax expense		(4.7)	2.2
Adjustment for prior years – non-temporary differences		–	0.1
Total income tax expense – discontinued operations		**(4.7)**	**(6.2)**
Reconciliation between tax expense and pre-tax statutory profit:			
Income tax using the domestic corporation tax rate 30%		(4.7)	(10.8)
Recognition of deferred tax asset on capital and revenue losses, not previously recognised		–	5.4
Non-deductible expenses		–	(1.8)
Over provided in prior years		–	0.1
Difference in overseas tax rates		–	0.9
Total income tax expense – discontinued operations		**(4.7)**	**(6.2)**

	Opening balance $m	Recognised in profit $m	Recognised in OCI $m	Other[a] $m	Closing balance $m
Year ended 30 June 2018					
Continuing operations					
Deferred tax assets and liabilities					
Investments	(80.2)	17.7	(25.8)	–	(88.3)
Derivative financial instruments	9.2	9.0	0.3	(9.3)	9.2
Inventories and receivables	(0.4)	(0.1)	–	2.7	2.2
Property, plant and equipment	(40.5)	(1.9)	–	(50.8)	(93.2)
Intangible assets	(96.4)	(19.9)	–	(39.3)	(155.6)
Trade and other payables	39.1	(28.6)	–	11.3	21.8
Provisions	24.7	9.0	–	5.4	39.1
Tax losses	19.2	–	–	(8.8)	10.4
Transaction costs deducted over five years	0.2	(0.4)	–	–	(0.2)
Other	2.7	(5.1)	–	(2.3)	(4.7)
Net deferred tax liability	**(122.4)**	**(20.3)**	**(25.5)**	**(91.1)**	**(259.3)**
Deferred tax asset					–
Deferred tax liability					(259.3)
Net deferred tax liability					**(259.3)**
Year ended 30 June 2017					
Deferred tax assets and liabilities					
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)**

(a) in the current year, relates primarily to the deferred tax balances recognised on acquisition of the remaining 53.3 per cent of Coates Hire.

As at 30 June 2018, the Group had not recognised:

- deferred tax assets of $271.7 million (2017: $265.4 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 assets of $410.2 million (2017: $357.8 million) for deductible temporary differences relating to Petroleum Resource Rent Tax credits;
- deferred tax assets of $16.0 million (2017: $26.7 million) for foreign tax losses substantiated in 2016 with $13.7 million due to expire by 2034; and
- deferred tax liabilities of $5.7 million (2017: $6.7 million) in respect of assessable temporary differences in relation to investments where management controls the timing of the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future.

RESULTS FOR THE YEAR

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.

	2018 $	2017 $
Statutory earnings per share		
Basic		
From continuing operations	1.24	(0.03)
From discontinued operations	0.03	0.10
Total basic earnings per share	**1.27**	**0.07**
Diluted		
From continuing operations	1.21	(0.03)
From discontinued operations	0.03	0.10
Total diluted earnings per share	**1.24**	**0.07**

	2018 $m	2017 $m
Earnings reconciliation by category of share		
Ordinary shares	390.8	20.9
TELYS4	23.1	23.6
Net profit attributable to equity holders of the Company	**413.9**	**44.5**

	2018 Million	2017 Million
Weighted average number of shares		
Ordinary shares for basic earnings per share		
Issued shares as at 1 July	281.2	281.2
Shares issued[(a)]	35.3	–
Issued shares as at 30 June	**316.5**	**281.2**
Weighted average number of shares (basic) as at 30 June	**307.8**	**282.2**
Weighted average number of shares (diluted) as at 30 June[(b)(c)]	**313.6**	**282.2**
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 further detail.
(b) weighted average number of shares adjusted for effect of treasury shares held.
(c) weighted average number of shares in the current year adjusted for effect of convertible notes issued on 5 March 2018.

There were 5.8 million options that were exercisable, dilutive or anti-dilutive in the current year (2017: 1.0 million).

	2018 $	2017 $
Underlying earnings per share (non-IFRS measure)		
Basic		
From continuing operations	0.97	0.57
From discontinued operations	0.03	0.10
Total basic underlying earnings per share	**1.00**	**0.67**
Diluted		
From continuing operations	0.95	0.57
From discontinued operations	0.03	0.10
Total diluted underlying earnings per share	**0.98**	**0.67**

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

	2018 $m	2017 $m
Continuing and discontinued operations		
Underlying earnings reconciliation by category of share		
Net profit attributable to equity holders of the Company	413.9	44.5
Less: significant items (refer Note 3)	(83.3)	169.2
Underlying net profit attributable to equity holders of the Company	330.6	213.7
Allocated underlying earnings to category of share		
Ordinary shares	307.5	190.1
TELYS4	23.1	23.6
Net underlying earnings attributable to equity holders of the Company	**330.6**	**213.7**

OPERATING ASSETS AND LIABILITIES

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 certain WesTrac and Coates Hire customers with alternative settlement terms.

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. Under the expected credit loss model, 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.

	2018 $m	2017 $m
Current		
Trade receivables	505.0	300.4
Provision for impairment losses	(10.3)	(3.8)
Other receivables	85.9	39.9
Total trade and other receivables – current	**580.6**	**336.5**

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. The Group's exposure to credit risk and impairment losses related to trade receivables is outlined below.

Receivables not credit impaired

The following trade receivables were not credit 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:

	2018 $m	2017 $m
Past due 1-30 days	133.6	62.0
Past due 31-60 days	8.2	9.3
Past due 61-90 days	1.9	3.4
> 91 days	3.2	10.6
Total trade receivables not credit impaired	**146.9**	**85.3**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance at beginning of the year	3.8	17.7
Amounts acquired in a business combination	8.8	–
Impairment loss recognised in profit or loss	2.7	6.7
Impairment loss reversed in profit or loss	(0.1)	–
Receivables expensed as uncollectible during the year	(4.9)	(1.4)
Transfer to assets held for sale	–	(18.0)
Exchange differences	–	(1.2)
Balance at end of the year	**10.3**	**3.8**

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, being 30 days following month end for WesTrac and 45 days following month end for Coates Hire.

	2018 $m	2017 $m
Current		
Trade payables	237.4	112.8
Other payables	29.1	24.5
Accruals	154.2	132.9
Cash-settled share based payments	–	3.7
Payable to equity accounted investee	0.5	14.7
Total trade and other payables – current	**421.2**	**288.6**

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 write downs to determine the net realisable value of inventory. These write downs 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.

	2018 $m	2017 $m
Raw materials – at cost	28.5	20.0
Work-in-progress – at cost	85.8	56.0
Finished goods		
– at cost	688.4	563.9
– at net realisable value	25.9	14.8
Total finished goods	714.3	578.7
Total inventories	**828.6**	**654.7**

Work-in-progress includes $7.0 million (2017: $11.4 million) in relation to the development of residential properties at Seven Hills, Western Australia.

OPERATING ASSETS AND LIABILITIES

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Accounting policy

Investments accounted for using the equity method comprise investments in associates and joint ventures (equity accounted investees). Investments in equity accounted investees are initially recognised at cost and subsequently accounted for using the equity method.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence generally exists when the Group holds between 20 and 50 per cent of the voting rights of another entity, unless it can be clearly demonstrated that this is not the case.

Joint ventures are those entities over whose activities the Group has joint control and rights to the net assets of the arrangement, rather than rights to the assets and obligations for its liabilities.

The Group's investments includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post acquisition income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group. When the Group's share of losses equals or exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Dividends received or receivable from equity accounted investees are recognised as a reduction in the carrying amount of the investment.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in that investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Critical accounting estimates and judgements

Control, joint control or significant influence

Significant judgement and assumptions are made in determining whether an entity has control, joint control or significant influence over another entity and the type of the joint arrangement. In considering the classification, management considers whether control, significant influence or joint control exists, the nature and structure of the relationship and other facts and circumstances.

Beach Energy Limited (Beach Energy)

The Group holds a 25.6 per cent interest in Beach Energy and has classified its investment as an associate. The Group has the ability to significantly influence, but not control or jointly control, the financial and operating decisions of Beach Energy through its investment and board representation.

Seven West Media Limited (Seven West Media)

The Group has classified its investment in Seven West Media as an associate as the Group, through its 41.0 per cent ownership interest and equivalent voting rights has the ability to significantly influence, but not control or jointly control the financial and operating policy decisions of Seven West Media. Given the 41.0 per cent ownership interest, management continue to assess that the Group has significant influence, but not control, over Seven West Media. This reflects the conclusion that significant uncertainty exists in determining whether the Group's Key Management Personnel exerts de facto control over the significant operational decisions of Seven West Media given the historical level non-SGH related vote participation at AGMs and its majority independent board (the Group only has 3 out of 10 directors). The Group does not control Seven West Media and is therefore not required to consolidate Seven West Media at 30 June 2018.

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.

Investee	Principal activities	Country of incorporation	Balance date	OWNERSHIP INTEREST 2018 %	2017 %
Associates					
Beach Energy Limited[(a)]	Oil and gas exploration, development, production	Australia	30 Jun	25.6%	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	Technology	Australia	30 Jun	40.0%	28.0%
iSeekplant Pty Ltd[(b)]	Online services	Australia	30 Jun	19.9%	22.8%
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[(c)]	Property management	Australia	30 Jun	–	25.0%
Revy Investment Trust[(c)]	Property management	Australia	30 Jun	–	25.0%
Seven West Media Limited	Media	Australia	30 Jun	41.0%	41.0%
Joint ventures					
Coates Group Holdings Pty Limited[(d)]	Rental services	Australia	30 Jun	–	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) on 24 October 2017, the Group's interest in Beach Energy increased to 25.6 per cent following participation in and sub-underwriting of Beach Energy's institutional and retail equity issue.

(b) during the year, the Group's investment in iSeekplant decreased to 19.9 per cent following the issue of additional equity to new investors.

(c) this entity was deregistered on 23 August 2017.

(d) on 25 October 2017, the Group acquired the remaining 53.3 per cent of Coates Hire and now consolidates Coates Hire.

The country of incorporation of the above associates and joint ventures is also their principal place of business.

	2018 $m	2017 $m
Investments in associates		
Beach Energy Limited	493.4	335.1
Seven West Media Limited	516.6	442.4
Individually immaterial associates	31.2	32.6
Investments in joint ventures		
Coates Group Holdings Pty Limited	–	300.2
Individually immaterial joint ventures	28.8	26.2
Total investments accounted for using the equity method	**1,070.0**	**1,136.5**

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.

OPERATING ASSETS AND LIABILITIES

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

	2018 $m	2017 $m
Share of investees' net profit/(loss)		
Investments in associates		
Beach Energy Limited	56.4	86.3
Seven West Media Limited	55.3	(305.6)
Individually immaterial associates[(a)]	(1.5)	19.4
Investments in joint ventures		
Coates Group Holdings Pty Limited	14.0	17.1
Individually immaterial joint ventures	2.5	0.5
Share of net profit/(loss) of equity accounted investees	**126.7**	**(182.3)**

(a) the Group received a distribution of $18.8 million in the prior year from Revy Investment Trust following the successful settlement of buildings at Jones Bay Wharf, Pyrmont, New South Wales.

	2018 $m	2017 $m
Market values of listed investments accounted for using the equity method		
Beach Energy Limited		
Book value	493.4	335.1
Market value	1,019.5	244.9
Seven West Media Limited		
Book value	516.6	442.4
Market value	516.6	442.4

An impairment reversal of $28.6 million (2017: impairment reversal of $128.4 million) relating to the Group's investment in Seven West Media due to the improvement in its share price was recognised in profit or loss during the year.

The summarised financial information for the Group's material associate and material joint venture is detailed on the following page.

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	
	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m
Summarised financial information of investees (100%)						
Summarised Statement of Financial Position						
Current assets						
Cash and cash equivalents	311.2	348.0	142.2	69.5	–	48.0
Other current assets	413.0	172.0	533.7	470.7	–	171.9
Total current assets	724.2	520.0	675.9	540.2	–	219.9
Non-current assets						
Goodwill	167.0	–	–	0.9	–	920.9
Intangible assets	–	–	1,034.0	1,019.0	–	100.4
Other non-current assets	3,190.2	1,371.2	182.5	247.7	–	699.2
Total non-current assets	3,357.2	1,371.2	1,216.5	1,267.6	–	1,720.5
Current liabilities						
Financial liabilities[(a)]	47.0	1.0	–	36.4	–	177.5
Other current liabilities	426.0	123.3	411.6	364.4	–	148.0
Total current liabilities	473.0	124.3	411.6	400.8	–	325.5
Non-current liabilities						
Financial liabilities[(a)]	925.7	148.5	776.6	799.6	–	909.8
Other non-current liabilities	844.7	216.4	175.9	188.5	–	31.5
Total non-current liabilities	1,770.4	364.9	952.5	988.1	–	941.3
Net assets	**1,838.0**	**1,402.0**	**528.3**	**418.9**	**–**	**673.6**
Group's share (%)	25.6%	22.7%	41.0%	41.0%	–	46.5%
Group's share of net assets	470.5	318.3	216.6	171.7	–	313.2
Share of impairment/(reversal) not recognised as previously impaired	23.8	(23.8)	571.0	571.0	–	156.5
Adjustment to align accounting policies	–	40.6	(18.3)	(18.3)	–	–
Fair value adjustment on acquisition	–	–	–	–	–	(35.6)
Share of rights issue not taken up	–	–	(125.2)	(125.2)	–	–
Elimination of unrealised profits to equity accounted investee	–	–	–	–	–	(5.5)
Change in ownership interest	(0.9)	–	177.8	177.1	–	(14.4)
Impairment	–	–	(305.3)	(333.9)	–	(114.0)
Carrying amount	**493.4**	**335.1**	**516.6**	**442.4**	**–**	**300.2**

(a) financial liabilities excluding trade and other payables and provisions.

	ASSOCIATE BEACH ENERGY		ASSOCIATE SEVEN WEST MEDIA		JOINT VENTURE COATES HIRE	
	2018 $m	2017 $m	2018 $m	2017 $m	2018[(b)] $m	2017 $m
Summarised Statement of Comprehensive Income						
Revenue	1,250.8	649.3	1,622.8	1,676.0	342.9	918.2
Depreciation and amortisation	(314.0)	(153.8)	(35.3)	(45.3)	(54.6)	(165.7)
Impairment (expense)/reversal	(88.3)	108.6	(13.1)	(974.8)	19.0	–
Net interest expense	(36.6)	(14.0)	(35.4)	(38.6)	(20.5)	(73.8)
Income tax (expense)/benefit	(84.7)	79.8	(56.9)	21.0	(13.1)	(14.1)
Profit/(loss) for the year	198.8	387.5	134.9	(745.0)	29.9	31.7
Other comprehensive income	(23.4)	11.2	2.9	2.7	–	–
Total comprehensive income for the year	**175.4**	**398.7**	**137.8**	**(742.3)**	**29.9**	**31.7**
Dividends received by the Group	**10.1**	**6.4**	**12.4**	**37.1**	**–**	**–**

(b) for the period 1 July to 25 October 2017, being the period Coates Hire was an equity accounted investee.

OPERATING ASSETS AND LIABILITIES

12. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment is measured at historical cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is capitalised in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance is charged to the profit or loss during the reporting period in which they are incurred.

Freehold land is not depreciated. The cost of improvements to or on leasehold properties is amortised over the shorter of the unexpired period of the lease or the estimated useful life of the improvement to the Group.

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

- Buildings 40 years
- Leasehold improvements 1 – 25 years
- Rental fleet 3 – 13 years
- Plant and equipment 2 – 13 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

	Note	Freehold land and buildings $m	Leasehold improvements $m	Rental fleet $m	Plant and equipment $m	Total $m
Year ended 30 June 2018						
Movement in property, plant and equipment						
Carrying amount at beginning of the year		**17.9**	**42.2**	**28.1**	**71.7**	**159.9**
Additions		0.8	2.1	112.7	25.8	141.4
Amounts acquired in a business combination	31	20.4	4.2	643.7	7.4	675.7
Disposals		–	–	(5.7)	(1.1)	(6.8)
Depreciation		(0.7)	(5.1)	(116.7)	(17.0)	(139.5)
Exchange differences		–	0.2	0.4	–	0.6
Other[(a)]		–	(0.1)	(4.1)	8.5	4.3
Carrying amount at end of the year		**38.4**	**43.5**	**658.4**	**95.3**	**835.6**
At cost		46.2	95.4	1,765.3	296.1	2,203.0
Accumulated depreciation		(7.8)	(51.9)	(1,106.9)	(200.8)	(1,367.4)
Total property, plant and equipment		**38.4**	**43.5**	**658.4**	**95.3**	**835.6**
Year ended 30 June 2017						
Movement in property, plant and equipment						
Carrying amount at beginning of the year		**25.5**	**45.9**	**17.8**	**82.8**	**172.0**
Additions		–	1.3	0.3	24.4	26.0
Disposals		–	(0.6)	(9.3)	(15.0)	(24.9)
Depreciation		(0.9)	(3.9)	(3.3)	(10.2)	(18.3)
Exchange differences		(0.4)	(0.1)	–	(0.4)	(0.9)
Transfer to assets held for sale		(6.3)	(0.5)	–	(10.8)	(17.6)
Other[(a)]		–	0.1	22.6	0.9	23.6
Carrying amount at end of the year		**17.9**	**42.2**	**28.1**	**71.7**	**159.9**
At cost		22.2	65.6	40.6	200.3	328.7
Accumulated depreciation		(4.3)	(23.4)	(12.5)	(128.6)	(168.8)
Total property, plant and equipment		**17.9**	**42.2**	**28.1**	**71.7**	**159.9**

(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 2040 for Longtom and to June 2064 for Bivins Ranch. The post tax discount rates that have been applied range between 8.0 to 8.5 per cent (2017: between 8.1 to 10.0 per cent).

Estimates on reserve quantities and quality

The estimated quantities and quality of reserves and resources are integral to the calculation of amortisation expense and the assessment of the recoverable amount of assets. Estimated reserve and resource quantities and quality is based on interpretations of geological and geophysical models and assessments of technical feasibility and commercial viability of future production. These estimates require assumptions to be made regarding future development and production costs, commodity prices and exchange rates. The estimates of reserves and resources may change from period to period, and as additional geological data is generated or obtained from the operator during the course of the operations.

Reserves and resource estimates are prepared in accordance with guidelines prepared by the Society of Petroleum Engineers.

Estimation on commodity prices

The Group's best estimate of future commodity prices is made with reference to internally derived forecast data, current spot prices, external market analysts forecast and forward curves. Future commodity price assumptions impact the recoverability of carrying values and are reviewed at least annually.

Sale process by operator

At 30 June 2018 Apache Corporation, the operator of the Group's Bivins Ranch production asset, commenced a divestment process for a number of its oil and gas producing properties located in the Texas Panhandle. The Group's recoverable value of Bivins Ranch may therefore be impacted should Apache conclude their sale and a new operator undertake a differential development and drilling profile to that historically performed and proposed.

	2018 $m	2017 $m
Movement in producing and development assets		
Carrying amount at beginning of the year	**213.9**	**214.5**
Additions	5.9	5.1
Depreciation	(2.0)	(2.1)
Exchange differences	4.4	(3.6)
Carrying amount at end of the year	**222.2**	**213.9**
At cost	240.3	229.6
Accumulated depreciation	(18.1)	(15.7)
Total producing and development assets	**222.2**	**213.9**

OPERATING ASSETS AND LIABILITIES

13. PRODUCING AND DEVELOPMENT ASSETS (CONTINUED)

Joint operation

The Group, through its wholly-owned subsidiary Seven Network (United States) Inc., is party to the Bivins Ranch basin joint operation in Texas, United States of America.

		UNINCORPORATED INTEREST	
Principal activities	**Operator of joint operation**	**2018 %**	**2017 %**
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 by the DCF model based on changes to the long-term oil price assumption. Any material adverse change in a key assumption may result in an impairment.

Sensitivity analysis has been performed by applying the following possible changes in key assumptions:

	Oil / Gas / NGL Prices		Reserves and Resources		Discount Rate	
	+10%	**-10%**	**+10%**	**-10%**	**+1%**	**-1%**
Sensitivity analysis						
Bivins Ranch (US$m)	16.0	(15.0)	18.0	(17.0)	(7.0)	10.0

14. EXPLORATION AND EVALUATION ASSETS

Accounting policy

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

Exploration and evaluation assets

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee benefits, materials and fuel used, rig costs and payments made to contractors.

If no potentially commercial hydrocarbons are discovered, the exploration asset is 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)

	2018 $m	2017 $m
Movement in exploration and evaluation assets		
Carrying amount at beginning of the year	**222.2**	**218.0**
Additions	3.1	6.4
Impairment	(5.7)	–
Restoration provision	–	(2.2)
Carrying amount at end of the year	**219.6**	**222.2**
At cost	225.3	222.2
Accumulated impairment	(5.7)	–
Total exploration and evaluation assets	**219.6**	**222.2**

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.

Capitalised costs of $5.7 million relating to the Group's Echuca Shoals WA-377P exploration permit were impaired during the year due to the ongoing technical and economic studies that have not yet concluded the viability for further investment.

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	2018 %	2017 %
AC/RL9	Oil and gas exploration	Shell Australia Pty Ltd	15.0%	15.0%

The Crux AC/RL9 project has been identified as a primary source of back fill gas supply to the Prelude floating liquefied natural gas (FNLG) facility. The current concept for the Crux project is a not normally manned platform which will be tied back to the Prelude FLNG facility via an export pipeline. The Group continues to work with Shell as Operator and fellow Crux joint venture partners in progressing the project concept. With the renewal of the Retention Lease for a further five years from February 2018, there are no facts or circumstances indicating an impairment of the asset under *AASB 6: Exploration for and Evaluation of Mineral Resources* at 30 June 2018.

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 or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs (or groups of CGUs) for the purpose of impairment testing. Each of those CGUs (or groups of CGUs) represents the Group's investment in each country of operation by each operating segment.

OPERATING ASSETS AND LIABILITIES

15. INTANGIBLE ASSETS (CONTINUED)

Brand names

Brand names have been assessed as having an indefinite useful life and as a result are not amortised. Instead, brand names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and are carried at cost less accumulated impairment losses.

Impairment of intangible assets

Goodwill and intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less cost of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit or loss.

Critical accounting estimates and judgements

Dependency on key suppliers

WesTrac is dependent on Caterpillar to maintain its authorisation as an authorised dealer of Caterpillar equipment and parts in Western Australia and New South Wales/ACT. WesTrac has maintained a strong relationship with Caterpillar and although WesTrac expects this relationship to continue, as is customary in dealer agreements with Caterpillar, the dealer agreement can be terminated by either party upon 90 days notice at any time.

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

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

Impairment of intangible assets

In accordance with AASB 136: Impairment of Assets, the recoverable amount of assets is the greater of its value-in-use and its fair value less cost of disposal. In the absence of quoted market prices, an asset's value-in-use or fair value less cost of disposal is calculated by estimating the present value of future cash flows using an asset specific discount rate.

These calculations also require the use of assumptions regarding profit margins, growth rates and discount rates.

	Note	Goodwill $m	Distribution network $m	Brand names $m	Other[(a)] $m	Total $m
Year ended 30 June 2018						
Movement in intangible assets						
Carrying amount at beginning of the year		**94.2**	**321.0**	**–**	**41.5**	**456.7**
Additions		–	–	–	14.7	14.7
Amounts acquired in a business combination	31	1,049.9	1.9	126.4	3.6	1,181.8
Disposals		–	–	–	(2.0)	(2.0)
Amortisation		–	–	–	(4.3)	(4.3)
Impairment[(b)]		–	–	–	(29.2)	(29.2)
Carrying amount at end of the year		**1,144.1**	**322.9**	**126.4**	**24.3**	**1,617.7**
At cost		1,144.1	322.9	126.4	67.3	1,660.7
Accumulated impairment		–	–	–	(29.2)	(29.2)
Accumulated amortisation		–	–	–	(13.8)	(13.8)
Total intangible assets		**1,144.1**	**322.9**	**126.4**	**24.3**	**1,617.7**
Year ended 30 June 2017						
Movement in intangible assets						
Carrying amount at beginning of the year		**94.2**	**648.3**	**–**	**37.4**	**779.9**
Additions		–	–	–	3.5	3.5
Disposals		–	–	–	(0.2)	(0.2)
Amortisation		–	–	–	(3.3)	(3.3)
Transfer		–	(6.1)	–	6.1	–
Exchange differences		–	(11.1)	–	–	(11.1)
Transfer to assets held for sale		–	(310.1)	–	(2.0)	(312.1)
Carrying amount at end of the year		**94.2**	**321.0**	**–**	**41.5**	**456.7**
At cost		94.2	321.0	–	51.0	466.2
Accumulated amortisation		–	–	–	(9.5)	(9.5)
Total intangible assets		**94.2**	**321.0**	**–**	**41.5**	**456.7**

(a) other includes intellectual property, customer contracts and software.
(b) impairment of capitalised costs relating to phase 2 of WesTrac's S3 program following the Group's decision to terminate its engagement with SAP as prime systems integrator during the year.

Impairment of intangible assets

(a) Impairment tests for goodwill, distribution network and brand names

Goodwill, distribution network costs and brand names are allocated to the Group's CGUs identified according to the appropriate operating segment.

A segment level summary is presented below.

	Goodwill $m	Distribution network $m	Brand names $m	Total $m
Year ended 30 June 2018				
WesTrac	94.2	321.0	–	415.2
Coates Hire	1,049.9	1.9	126.4	1,178.2
Total	**1,144.1**	**322.9**	**126.4**	**1,593.4**
Year ended 30 June 2017				
WesTrac	94.2	321.0	–	415.2
Total	**94.2**	**321.0**	**–**	**415.2**

OPERATING ASSETS AND LIABILITIES

15. INTANGIBLE ASSETS (CONTINUED)

Distribution network and goodwill

The recoverable amount of the WesTrac distribution network and goodwill referable to Coates Hire and WesTrac is based on value-in-use calculations. These recoverable amount calculations use discounted cash flow projections based on financial budgets and forecasts approved by management. Cash flow projections utilised for value-in-use financial budgets cover a five year period.

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

(b) Key assumptions used for value-in-use calculations

	2018 Growth rate[(a)] %	2018 Discount rate (pre-tax)[(b)] %	2017 Growth rate[(a)] %	2017 Discount rate (pre-tax)[(b)] %
Value-in-use				
WesTrac	2.00	11.40	2.50	13.56
Coates Hire	2.50	11.62	–	–

(a) the weighted average growth rate used to extrapolate cash flows beyond the budget or forecast period.
(b) the discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

16. PROVISIONS

Accounting policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required on settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Service warranties	A service warranties provision is made for the estimated liability on products under warranty at balance date. This provision is estimated having regard to service warranty experience. Other warranty costs are accrued as and when the liability arises.
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.

	Note	Service warranties $m	Restoration $m	Other $m	Total $m
Year ended 30 June 2018					
Movement in provisions					
Balance at beginning of the year		**18.8**	**50.4**	**34.9**	**104.1**
Amounts assumed in a business combination	31	–	–	9.5	9.5
Amounts provided for		7.1	–	14.3	21.4
Amounts used		(5.5)	–	(6.4)	(11.9)
Write-back of provision		–	–	(16.0)	(16.0)
Transfer		–	–	24.6	24.6
Unwind of discount		–	2.6	–	2.6
Balance at end of the year		**20.4**	**53.0**	**60.9**	**134.3**
Current		20.4	–	52.7	73.1
Non-current		–	53.0	8.2	61.2
Total provisions		**20.4**	**53.0**	**60.9**	**134.3**
Year ended 30 June 2017					
Movement in provisions					
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		(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**

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.

OPERATING ASSETS AND LIABILITIES

17. EMPLOYEE BENEFITS

Accounting policy

Employee benefits

Employee benefits include provisions for annual leave and long service leave.

The current provision for long service leave includes all unconditional entitlements where employees have completed the required service period and those where employees are entitled to pro-rata payments in certain circumstances. The majority of the amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in provisions in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

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

Superannuation

The Group contributes to a superannuation fund which provides accumulated contribution plans. Contributions are charged against the profit or loss in the period to which they relate.

Share based payments

The fair value of options granted under the Company's cash-settled option plan is recognised as an employee benefit expense with a corresponding increase in liability. The expense and the liability incurred are measured at the fair value of the liability.

The fair value at grant date is independently determined using Black-Scholes and Binomial option pricing models that take into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity remeasures the fair value of the options, with any changes in value recognised in the profit or loss as a finance cost.

The fair value of equity-based entitlements settled in equity instruments is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is estimated at grant date and recognised over the period during which the employees become unconditionally entitled to the equity instrument.

The amount recognised as an expense is adjusted to reflect the actual number of entitlements that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

	2018 $m	2017 $m
Current		
Annual leave	40.7	24.5
Long service leave	29.5	13.3
Total employee benefits – current	**70.2**	**37.8**
Non-current		
Long service leave	17.2	12.8
Total employee benefits – non-current	**17.2**	**12.8**

Superannuation contributions

The Group makes contributions on behalf of employees to a defined contribution superannuation fund. The amount recognised as an expense was $42.6 million (2017: $28.9 million) for the year ended 30 June 2018.

CASH MANAGEMENT

18. CASH AND CASH EQUIVALENTS

Accounting policy

Bank balances includes cash on hand and deposits held at call with financial institutions. Call deposits include other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	2018 $m	2017 $m
Bank balances	104.6	148.7
Call deposits	–	100.6
Cash and cash equivalents	**104.6**	**249.3**
Cash and cash equivalents included in assets held for sale	–	(76.8)
Total cash and cash equivalents	**104.6**	**172.5**

19. NOTES TO THE CASH FLOW STATEMENT

	2018 $m	2017 $m
Reconciliation of profit for the year to net cash flows related to operating activities		
Profit for the year	**415.6**	**46.2**
Profit from discontinued operations	(10.4)	–
Income tax expense	63.5	33.1
Income taxes paid	(8.3)	(13.2)
Depreciation and amortisation:		
Property, plant and equipment	139.5	28.2
Producing and development assets	2.0	2.1
Intangible assets	4.3	3.3
Gain on sale of property, plant and equipment	(3.4)	1.7
Gain on sale of derivatives	(4.2)	(1.9)
Loss on sale of derivatives	–	4.0
Revaluation of equity interest on acquisition of Coates Hire	(14.5)	–
Loss on sale of WesTrac China	5.3	–
Recycling of foreign currency translation reserve on sale of WesTrac China	(79.9)	–
Acquisition transaction costs incurred	1.3	–
Impairment reversal of equity accounted investee	(28.6)	(128.4)
Impairment of non-current assets	40.5	–
Fair value movement of derivatives	(4.0)	(4.0)
Share of results from equity accounted investees	(126.7)	182.3
Dividends received from equity accounted investees	22.6	66.3
Other	2.1	1.9
Movement in:		
Trade and other receivables	(55.2)	65.8
Inventories	(168.0)	14.8
Other assets	(9.0)	6.7
Trade and other payables/deferred income	43.5	(27.6)
Provisions	25.1	14.5
Net operating cash flows	**253.1**	**295.8**
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**

The reconciliation for the current year includes an adjustment to exclude profit from discontinued operations given the cash flow statement does not include cash flows from discontinued operations. By contrast, the prior year reconciliation reflects adjustments for continuing and discontinued operations including movements in balance sheet accounts prior to being reclassified as held for sale.

CASH MANAGEMENT

20. INTEREST BEARING LOANS AND BORROWINGS

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities which are not incremental costs relating to the actual draw down of the facility, are recognised on a net basis against borrowings and amortised on a straight line basis over the term of the facility.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or any liabilities assumed, is recognised in other income or expenses.

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

	2018 $m	2017 $m
Current		
Interest bearing liabilities	43.2	0.6
Non-interest bearing liabilities	–	40.0
Fixed term US dollar notes	74.4	–
Finance lease liabilities	0.5	0.1
Total interest bearing loans and borrowings – current	**118.1**	**40.7**
Non-current		
Interest bearing liabilities	1,164.9	816.0
Convertible notes	288.0	–
Fixed term US dollar notes	576.5	627.3
Less: capitalised borrowing costs net of accumulated amortisation	(7.2)	(3.6)
Finance lease liabilities	0.4	0.2
Total interest bearing loans and borrowings – non-current	**2,022.6**	**1,439.9**

The current interest bearing liabilities of $43.2 million relate to the current portion of the Group's corporate syndicated debt facility. These liabilities are unsecured.

At 30 June 2018, the Group had available undrawn borrowing facilities of $411.0 million (2017: $810.0 million).

Included in non-current interest bearing liabilities are amounts drawn from the Group's corporate syndicated loan facility and facility with Caterpillar Financial Australia Limited.

On 5 March 2018, the Company issued 3,500 convertible notes (notes) at a nominal value of $350.0 million and paying a cash coupon of 2.2 per cent per annum. The notes are listed on the Singapore Exchange and mature seven years from their issue date at their nominal value. Alternatively, they can be converted into ordinary shares at the holder's option at a conversion price of $24 per ordinary share (subject to adjustments as stipulated in the terms of the convertible notes). The total number of ordinary shares which will be issued if the convertible notes are converted is 14,583,333. As at 30 June 2018, no notes had been converted. Furthermore, the note holders have an early redemption option exercisable in January 2023. The fair value of the liability was calculated with reference to market interest rates for an equivalent corporate bond without a conversion feature. The residual amount, representing the value of the equity conversion component has been recognised as a derivative liability until shareholder approval is obtained for the issue of ordinary shares on conversion. Upon receipt of shareholder approval, anticipated to be November 2018 at the Company's 2018 Annual General Meeting, the derivative liability will be reclassified to shareholders equity.

The corporate syndicated loan facility is non-amortising, unsecured and supported by guarantees by the Company and certain subsidiaries within the Group. The facility has a limit of $900.0 million until February 2019, reducing to $850.0 million until February 2020. The Company's $431.0 million facility with Caterpillar Financial Australia Limited matures in July 2021 and is non-amortising and unsecured.

The Group's interest bearing liabilities (including derivatives) had a weighted average interest rate of 4.97 per cent (2017: 5.59 per cent) for the year ended 30 June 2018, including margins and unused line fees.

Lease liabilities are effectively secured as the rights to the assets revert to the financier in the event of default. Details of the fair values of each of the borrowings as well as the Group's exposure to interest rate, foreign currency and liquidity risk related to interest bearing loans and borrowings is disclosed in Note 21: Financial Risk Management.

Fixed term US dollar notes

The US Private Placement notes are unsecured and are hedged by a combination of forward foreign exchange and cross currency swaps. The Group has issued notes denominated in US currency of USD $445.0 million (2017: USD $445.0 million). Series E (2011) was issued and is repayable in AUD. Interest is payable half yearly in arrears.

The amount and maturity of the notes, including the effective hedge position, is summarised below.

Notes	Agreement	2018 Amount USD $m	2018 Spot amount AUD $m	2017 Amount USD $m	2017 Spot amount AUD $m	Hedged amount AUD $m	Interest rate (incl. margin) %	Maturity date
Series C	2006	55.0	74.4	55.0	71.5	80.3	7.50%	23 Aug 18
Series D	2006	30.0	40.6	30.0	39.0	43.9	7.53%	23 Aug 20
Series E	2006	85.0	115.0	85.0	110.5	125.2	7.56%	23 Aug 21
Series A	2011	45.0	60.9	45.0	58.5	43.8	4.07%	7 Jun 23
Series B	2011	55.0	74.4	55.0	71.5	53.6	4.02%	7 Jul 23
Series C	2011	75.0	101.5	75.0	97.5	73.1	4.12%	7 Jun 26
Series D	2011	100.0	135.3	100.0	130.0	97.4	4.09%	7 Jul 26
Series E	2011	–	48.8	–	48.8	48.8	7.96%	7 Jul 41
		445.0	**650.9**	**445.0**	**627.3**	**566.1**		

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows related to financing activities.

$m	At 30 June 2017	Financing cash flows	Acquisition of subsidiary	Effect of exchange rates	Equity component of convertible notes	Other[(a)]	At 30 June 2018
Interest bearing liabilities	816.6	(641.8)	1,033.0	0.3	–	–	1,208.1
Non-interest bearing liabilities	40.0	(40.0)	–	–	–	–	–
Fixed term US dollar notes	627.3	–	–	23.6	–	–	650.9
Finance lease liabilities	0.3	–	0.6	–	–	–	0.9
Convertible notes	–	350.0	–	–	(64.5)	2.5	288.0
Capitalised borrowing costs	(3.6)	(5.5)	–	–	–	1.9	(7.2)
Total interest bearing loans and borrowings	**1,480.6**	**(337.3)**	**1,033.6**	**23.9**	**(64.5)**	**4.4**	**2,140.7**

(a) comprises accrued interest and amortisation of borrowing costs.

FINANCIAL ASSETS

21. FINANCIAL RISK MANAGEMENT

Overview

Risk management policies are established to identify and demonstrate that the Group understands and manages risk and seeks to ensure that there is consistency to the methods used in assessing, monitoring and communicating risks and that risk management efforts are aligned with the Group's strategic and business objectives.

The Group has exposure to the following risks through the normal course of its operations and from its use of financial instruments:

(a) Market risk
(b) Liquidity risk
(c) Credit risk

The following presents information, both qualitative and quantitative, about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Board has established a sound system of risk oversight and management and internal control which includes the establishment of the Audit & Risk Committee. The Committee has been constituted with the function of assisting the Board to ensure that its corporate governance and oversight responsibilities are fulfilled in relation to risk management and compliance with applicable laws and regulations.

The Audit & Risk Committee is responsible for reviewing, evaluating and making recommendations to the Board in relation to:

- assessing the risk management, compliance and control environment as it relates to the external and internal audit plans;
- overseeing financial reporting; and
- evaluating internal and external audit.

At the reporting date the Group held the following financial instruments:

	Note	2018 $m	2017 $m
Financial assets/(liabilities)			
Cash and cash equivalents	18	104.6	172.5
Financial assets/(liabilities) carried at amortised cost			
Trade and other receivables		585.8	341.4
Trade and other payables (excluding accruals)		(273.5)	(156.6)
Fixed term US dollar notes	20	(650.9)	(627.3)
Convertible notes	20	(288.0)	–
Interest bearing loans and borrowings	20	(1,208.1)	(856.6)
Financial assets carried at fair value through other comprehensive income			
Listed equity securities (excluding derivatives)	22	329.2	502.2
Unlisted equity securities	22	137.6	96.6
Derivative financial instruments designated and effective and carried at fair value through profit or loss			
Derivative financial assets	23	130.0	133.8
Derivative financial liabilities	23	(111.5)	(74.5)
Total financial assets and financial liabilities		**(1,244.8)**	**(468.5)**

(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(E): Foreign Currency Translation. Exchange differences arising from the translation are taken to reserves and as such the individual account balances of these Group companies are excluded from the table below.

Excluding assets and liabilities for foreign Group entities translated in accordance with Note 1, the Group's exposure to foreign currency risk was as follows, based on notional amounts:

Foreign currency risk	2018 US$m	2017 US$m
Cash and cash equivalents	8.1	112.4
Trade and other receivables	11.8	8.8
Trade and other payables	(7.7)	(3.7)
Borrowings	(445.0)	(445.0)
Unlisted equity securities	101.7	74.3
Derivative financial instruments	79.4	82.8
Closing exchange rates[a]	0.7391	0.7692

(a) Closing rate per the Reserve Bank of Australia at 4pm (AEST).

Sensitivity analysis

As at 29 June 2018, the closing AUD/USD exchange rate, as reported by the Reserve Bank of Australia, was 0.7391 (2017: 0.7692). 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 2018. During the year, the average AUD/USD exchange rate was 0.7753 (2017: 0.7545) and traded within a range of 0.7353 to 0.8121 (2017: 0.7202 to 0.7724).

At 30 June 2018, 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:

Judgement of reasonably possible movements	2018 Profit/(loss) $m	2018 Equity $m	2017 Profit/(loss) $m	2017 Equity $m
AUD to USD +5%	(0.3)	(6.7)	(9.1)	(5.9)
AUD to USD -5%	0.3	7.4	11.1	7.7

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.

FINANCIAL ASSETS

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's exposure to interest rate risk arises from AUD cash deposits and short to medium term borrowings which are at variable interest rates in AUD. Generally, long-term fixed rate borrowings are obtained in the USA and Australia, while shorter term variable borrowings are denominated in Australian currency and expose the Group to interest rate risk. The Group manages this risk by using derivative financial instruments including interest rate swaps and collars to hedge interest rate exposure.

As at 30 June 2018, 46 per cent (2017: 60 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 2018, the Group had the following mix of financial assets and liabilities exposed to Australian and United States variable interest rate risk.

	2018 $m	2017 $m
Financial assets		
Cash and cash equivalents	104.6	172.5
	104.6	**172.5**
Financial liabilities		
Interest bearing liabilities	(1,043.9)	(653.1)
	(1,043.9)	**(653.1)**

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.

	2018 Profit/(loss) $m	2018 Equity $m	2017 Profit/(loss) $m	2017 Equity $m
If interest rates were 1% (100 basis points) higher with all other variables held constant – increase/(decrease)	(4.7)	4.0	(1.5)	4.0
If interest rates were 1% (100 basis points) lower with all other variables held constant – increase/(decrease)	4.7	(7.0)	1.5	(4.0)

(iii) Equity price risk

Equity price risk refers to the risk that the value of a financial instrument or its associated cash flows will fluctuate due to changes in the underlying share prices.

The Group has exposure to equity price risk arising from its portfolio of listed equity securities. The Group utilises derivatives to hedge this exposure as well as to gain economic exposure to equity securities.

The Group may also be exposed to equity price risk through its holdings of listed investments accounted for using the equity method and as part of the Group's impairment assessment process.

The following table shows the impact on the profit or loss and equity of the Group if equity prices at balance date had been 20.0 per cent higher or lower, with all other variables held constant (2017: 15.0 per cent). A sensitivity of 20.0 per cent is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movement.

	2018 Profit/(loss) $m	2018 Equity $m	2017 Profit/(loss)[a] $m	2017 Equity[a] $m
If share prices were 20% higher with all other variables held constant – increase/(decrease)	(23.9)	46.1	(2.0)	52.7
If share prices were 20% lower with all other variables held constant – increase/(decrease)	15.2	(46.1)	(0.1)	(52.7)

(a) sensitivity of 15% used at 30 June 2017.

(iv) Commodity price risk

The Group has an operating interest in oil and gas assets located in Australia and the United States of America. These investments expose the Group to commodity price risk from fluctuations in the prices of oil, natural gas and other condensates and natural gas liquids (NGLs). The Group does not currently hedge its exposure to commodity price risk.

(b) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to meet its financial commitments as and when they fall due.

The Group employs a prudent liquidity risk management approach. This involves maintaining a large amount of liquid reserves (cash deposits, listed shares and available credit lines) that can be drawn or sold at short notice to meet the Group's financial commitments. Management monitors the Group's ongoing cash flow requirements on a daily basis. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping credit lines available.

The Group's foreign exchange risk arises primarily from:

- borrowings denominated in a foreign currency; and
- firm commitments of highly probable forecast transactions for receipts and payments settled in foreign currency.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	2018 $m	2017 $m
Floating rate		
Expiring within one year	294.8	295.0
Expiring beyond one year	116.2	515.0
	411.0	**810.0**
Additional liquidity		
Cash and cash equivalents	104.6	172.5
Financial assets carried at fair value through other comprehensive income – listed equity securities	329.2	502.2
Unutilised short dated lines of credit	6.2	4.2
	440.0	**678.9**

Subject to continued compliance with facility terms, the facilities may be drawn at any time. The average maturity for drawn facilities is 4.0 years (2017: 5.0 years) and 1.0 year (2017: 1.5 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 2018						
Trade and other payables (excluding accruals)	267.0	2.1	4.4	–	273.5	273.5
Borrowings – variable rate						
– principal (including derivative)	43.2	732.8	43.8	224.1	1,043.9	1,048.6
– coupon interest and derivative	16.8	14.7	32.8	24.1	88.4	(0.3)
Borrowings – fixed rate						
– principal (including derivative)	80.7	0.4	600.0	392.7	1,073.8	1,012.5
– coupon interest and derivative	48.2	45.8	72.5	84.9	251.4	1.3
	455.9	**795.8**	**753.5**	**725.8**	**2,731.0**	**2,335.6**
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**

FINANCIAL ASSETS

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables, cash and cash equivalents and investment securities.

The Group's maximum exposure to credit risk at the reporting date was:

	Note	2018 $m	2017 $m
Cash and cash equivalents	18	104.6	172.5
Trade and other receivables		585.8	341.4
Listed equity securities (excluding derivatives)	22	329.2	502.2
Unlisted equity securities	22	137.6	96.6
Derivative financial instruments	23	130.0	133.8
		1,287.2	**1,246.5**

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 2.3 to 4.5 per cent (2017: 2.5 to 5.2 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 5.4 to 5.8 per cent (2017: 5.9 per cent).

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – fair value is estimated using quoted prices in active markets.

Level 2 – fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3 – fair value is estimated using inputs for the asset or liability that are not based on observable market data.

	Note	Level in fair value hierarchy	2018 Carrying amount $m	2018 Fair value $m	2017 Carrying amount $m	2017 Fair value $m
Financial assets measured at fair value						
Listed equity securities (excluding derivatives)	22	1	329.2	329.2	502.2	502.2
Unlisted equity securities	22	3	137.6	137.6	96.6	96.6
Forward foreign exchange contracts – used for hedging	23	2	2.8	2.8	0.3	0.3
Cross currency swaps – used for hedging	23	2	126.9	126.9	132.2	132.2
Interest rate collars – used for hedging	23	2	0.3	0.3	1.3	1.3
Equity derivatives	23	2	–	–	–	–
			596.8	**596.8**	**732.6**	**732.6**
Financial assets not measured at fair value						
Cash and cash equivalents	18	–	104.6	104.6	172.5	172.5
Trade and other receivables		–	585.8	585.8	341.4	341.4
			690.4	**690.4**	**513.9**	**513.9**
Financial liabilities measured at fair value						
Forward foreign exchange contracts – used for hedging	23	2	22.3	22.3	25.0	25.0
Cross currency swaps – used for hedging	23	2	27.5	27.5	48.6	48.6
Convertible note – conversion option	23	2	60.6	60.6	–	–
Interest rate collars – used for hedging	23	2	1.1	1.1	–	–
Equity derivatives	23	2	–	–	0.9	0.9
			111.5	**111.5**	**74.5**	**74.5**
Financial liabilities not measured at fair value						
Trade and other payables (excluding accruals)		–	273.5	273.5	156.6	156.6
Fixed term US dollar notes	20	2	650.9	725.6	627.3	740.5
Convertible note	20	2	288.0	291.7	–	–
Other borrowings	20	2	1,208.1	1,205.5	853.3	853.3
			2,420.5	**2,496.3**	**1,637.2**	**1,750.4**

There were no transfers between the fair value hierarchy levels during the year ended 30 June 2018.

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.

FINANCIAL ASSETS

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements (continued)

Valuation process for Level 3 valuations

The valuation of unlisted equity is performed on a quarterly basis by the investment fund's manager and reviewed by their investment committee. The valuations are also subject to quality assurance procedures performed within the investment fund.

The investment fund manager verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the fund's investment committee.

The fund's investment committee considers the appropriateness of the valuation methods and inputs, and may request that alternate valuation methods are applied to support the valuations arising from the method chosen. Any changes in valuation methods are discussed and agreed with the investment partners.

The investment fund presents the valuation results on a quarterly basis to the Group. The report includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with fair value changes outside of the relevant thresholds set out above. The Group's investment committee regularly reviews this information and assesses the performance of the Group's investment.

Quantitative information on significant unobservable inputs – Level 3

Description	Valuation technique	Unobservable input	2018 Range	2017 Range
Unlisted equity investments	P/E multiple	Average P/E multiple of peers	32.6	31.9
		Discount for lack of liquidity	25%	20%
	EV/sales multiple	Average price/sales multiple of peers	1.9x-4.5x	1.5x-5.1x
		Discount for lack of liquidity	25%	20-25%

Reconciliation – Level 3

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3.

	2018 $m	2017 $m
Balance at the beginning of the year	96.6	82.2
Contributions, net of capital returns	21.1	17.2
Fair value gains/(losses)	19.9	(2.8)
Balance at the end of the year	**137.6**	**96.6**

(e) Master netting or similar arrangements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Financial instruments in the statement of financial position $m	Related financial instruments that are not offset $m	Net amount $m
Year ended 30 June 2018			
Financial assets			
Forward foreign exchange contracts – used for hedging	2.8	1.8	1.0
Cross currency swaps – used for hedging	126.9	45.8	81.1
Interest rate derivatives – used for hedging	0.3	0.2	0.1
	130.0	**47.8**	**82.2**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	22.3	21.3	1.0
Cross currency swaps – used for hedging	27.5	–	27.5
Interest rate collars	1.1	1.1	–
Convertible notes – conversion option	60.6	–	60.6
	111.5	**22.4**	**89.1**
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
Equity derivatives	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**

(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.

FINANCIAL ASSETS

22. OTHER FINANCIAL ASSETS

Accounting policy

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (FVTOCI) and amortised cost financial assets. The classification depends on the Group's business model for managing the financial asset as well as its contractual cash flow characteristics.

Management determines the classification of its investments at initial recognition. In the case of financial assets classified as FVTOCI, this designation is irrevocable.

Financial assets at fair value through other comprehensive income

The Group's existing listed and unlisted equity securities 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.

	2018 $m	2017 $m
Non-current		
Listed equity securities	329.2	502.2
Unlisted equity securities	137.6	96.6
Total other financial assets – non-current	**466.8**	**598.8**

Listed equity securities are designated as financial assets at FVTOCI in accordance with the Group's accounting policies. The carrying amounts are determined based on their quoted market price at 30 June 2018. Unlisted equity securities comprise of the Group's investments in an unlisted private equity media investment fund (refer also to Note 21: Financial Risk Management).

Dividends and distributions totalling $44.3 million (2017: $32.8 million) were received from the Group's financial assets at FVTOCI. Net losses of $25.7 million (2017: $30.6 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.

FINANCIAL ASSETS

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2018 $m	2017 $m
Current assets		
Forward foreign exchange contracts – cash flow hedges	2.8	0.3
	2.8	0.3
Non-current assets		
Cross currency swaps – cash flow hedges	126.9	132.2
Other derivatives – cash flow hedges	0.3	1.3
	127.2	133.5
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	(7.4)	(1.5)
Other derivatives	–	(0.9)
	(7.4)	(2.4)
Non-current liabilities		
Forward foreign exchange contracts and cross currency swaps – cash flow hedges	(14.9)	(23.5)
Cross currency interest rate swaps – fair value adjustment	(27.5)	(48.6)
Convertible note – embedded derivative	(60.6)	–
Other derivatives	(1.1)	–
	(104.1)	(72.1)
Net derivative financial instruments	**18.5**	**59.3**

The Group is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies. The Group also enters into equity derivatives. Refer to Note 21: Financial Risk Management for further detail.

Interest rate swaps

The Group's policy is to hedge a portion of its interest bearing liabilities from exposure to changes in interest rates.

The gain or loss from remeasuring the hedging instruments to fair value is deferred in equity in the hedge reserve and reclassified into profit or loss when the hedged interest expense is recognised. To the extent that the hedge is ineffective or undesignated, the fair value movement is recognised as fair value through profit or loss.

Forward foreign exchange contracts

The Group has entered into forward foreign currency exchange contracts to hedge the USD denominated debt in conjunction with cross currency swaps. The Group has obligations to repay the principal amount of USD denominated debt and interest thereon. The Group's USD denominated debt and coupon obligations are hedged with foreign exchange derivatives.

The Group from time to time also enters into forward foreign exchange contracts to hedge certain known trading commitments predominantly denominated in USD. The terms of these commitments are generally shorter than one year.

Cross currency swaps

The Group has obligations to repay the principal and interest relating to USD denominated debt. The Group enters into cross currency swap contracts to hedge these obligations.

Other derivatives

Other derivatives comprise equity derivatives. The Group enters into equity derivatives from time to time to hedge the value of listed investments or to gain exposure to certain market sectors.

Convertible note – embedded derivative

The embedded derivative represents the fair value of the equity conversion component of the convertible notes issued by the Company on 5 March 2018. As the Company did not have sufficient placement capacity to fulfil conversion of the notes into ordinary shares at the date of issue, the equity conversion component is recognised as a financial liability derivative until the Company receives shareholder approval to issue the requisite number of shares. This shareholder approval is anticipated to occur in November 2018 at the Company's 2018 Annual General Meeting, at which point the derivative will be remeasured at fair value and reclassified to shareholders equity.

At 30 June 2018, 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); and
- future interest payments by interest rate derivative contracts (swaps).

The effective portion of the cumulative net change in the value of derivative financial instruments designated as a cash flow hedge are included in the hedge reserve.

The periods in which the related cash flows are expected to occur are summarised below.

	Within 1 year $m	Between 1 to 5 years $m	Over 5 years $m	Total $m
Year ended 30 June 2018				
Contracts to hedge				
Future operational (sales and purchases)	1.8	–	–	1.8
Future principal and interest on borrowings	(6.3)	(14.6)	99.4	78.5
Total net (loss)/gain included in the hedge reserve	**(4.5)**	**(14.6)**	**99.4**	**80.3**
Year ended 30 June 2017				
Contracts to hedge				
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**

FINANCIAL ASSETS

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Hedge accounting	Notional amount of hedging instrument & hedged item	Hedge rates	Carrying amount Assets $m	Carrying amount Liabilities $m	Change in value of hedging instrument $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit or loss $m	Amount reclassified from hedge reserve to profit or loss $m
Year ended 30 June 2018								
Cash flow hedges								
Future operational (sales and purchases) – up to 12 months	AUD 118.4	0.73-0.81 AUD/USD	2.8	(1.0)	1.1	1.1	–	–
Future principal and interest on USPP – up to 10 years (foreign exchange contracts)	AUD 285.8	AUD/USD 0.68-0.72	–	(21.2)	(20.8)	(21.2)	–	(1.0)
Future principal and interest on USPP – up to 10 years (cross currency swaps)	AUD 346.7	AUD/USD 1.03	126.9	–	126.9	132.8	–	8.8
Future interest on floating rate debt – up to 1 month	AUD 100	Collar 1.5%-2.5%	0.1	–	0.2	0.2	–	–
Future interest on floating rate debt – up to 1 month	AUD 50	Collar 1.57%-2.5%	0.1	–	0.1	0.1	–	–
Fair value hedge								
Future principal and interest on USPP – up to 10 years (cross currency swaps)	AUD 267.9	AUD/USD 1.03	–	(27.5)	(27.4)	(28.1)	(0.7)	–
Future interest on floating rate debt – up to 2 years	AUD 318.9	Collar 2.05%-3.82%	–	(0.8)	(0.8)	–	(0.8)	–
Future interest on floating rate debt – up to 2 years	AUD 159.4	Collar 2.05%-4.92%	–	(0.4)	(0.4)	–	(0.4)	–

CAPITAL STRUCTURE

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.

	2018 $m	2017 $m
Contributed equity		
316,485,208 ordinary shares, fully paid (2017: 281,240,870)	2,431.4	2,046.0
4,963,640 TELYS4 preference shares, fully paid (2017: 4,963,640)	427.2	427.2
2,129 treasury shares, fully paid (2017: 44,720)	–	(0.3)
Balance at end of the year	**2,858.6**	**2,472.9**
Movements in ordinary shares		
Balance at beginning of year	2,046.0	2,046.0
Shares issued under equity raise – October 2017 – 35.0 million	385.4	–
Balance at end of the year	**2,431.4**	**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	(0.3)	(0.5)
Shares vested and transferred to employee	1.0	0.3
On-market share acquisition	(0.7)	(0.1)
Balance at end of the year	**–**	**(0.3)**

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.

During the year, the Company conducted an equity raise via a fully-underwritten placement of ordinary shares to institutions and sophisticated investments (Placement) and a non-underwritten Share Purchase Plan (SPP) to eligible retail shareholders. Gross proceeds of $392.0 million were received from the equity raise, with $375.0 million from the Placement and $17.0 million from the SPP. The shares are fully paid and rank equally with existing ordinary shares.

In July 2017, the Company issued 0.2 million shares for nil consideration to satisfy employee share scheme obligations. An additional 0.1 million shares were acquired on market at a cost of $0.7 million.

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.

The Company's on-market TELYS4 share buy-back concluded on 17 August 2017 with no shares bought back.

There were nil options exercised, cancelled or forfeited during the year (2017: nil options exercised, cancelled or forfeited).

CAPITAL STRUCTURE

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. Upon disposal of all interests in WesTrac Group by the Group this reserve would be transferred to retained earnings.
Hedge reserve	The hedge reserve records the effective portion of the cumulative net change in fair value of hedging instruments related to cash flow hedged transactions that have not yet occurred.
Fair value through OCI reserves	The Group has elected to recognise changes in the fair value of certain investments in equity OCI reserve 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 2018							
As at 1 July 2017	**(63.5)**	**6.6**	**(642.6)**	**(28.5)**	**(18.5)**	**98.8**	**(647.7)**
Fair value movement on financial assets measured at FVTOCI	–	–	–	–	(129.0)	–	(129.0)
Tax effect of net gain on financial assets measured at FVTOCI	–	–	–	–	(25.8)	–	(25.8)
Net gain on cash flow hedges	–	–	–	1.3	–	–	1.3
Tax effect of net gain on cash flow hedges	–	–	–	0.3	–	–	0.3
Movement in reserves of equity accounted investees	–	(2.6)	–	(1.4)	(3.8)	(1.5)	(9.3)
Currency translation differences	–	–	–	–	–	(79.0)	(79.0)
Share based payments	–	2.4	–	–	–	–	2.4
Share based payment options settled	–	(1.0)	–	–	–	–	(1.0)
As at 30 June 2018	**(63.5)**	**5.4**	**(642.6)**	**(28.3)**	**(177.1)**	**18.3**	**(887.8)**
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)**

25. DIVIDENDS

	Date of payment	Franked / unfranked	Amount per share	Total $m
Year ended 30 June 2018				
Dividends paid				
Ordinary shares				
Final dividend in respect of 2017 year	6 Oct 17	Franked	$ 0.21	59.1
Interim dividend	20 Apr 18	Franked	$ 0.21	66.5
				125.6
Transferable Extendable Listed Yield Shares (TELYS4)				
Dividend	30 Nov 17	Franked	$ 2.32	11.5
Dividend	31 May 18	Franked	$ 2.33	11.6
				23.1
Subsequent event				
Current period final dividend on ordinary shares proposed but not provided for				
Ordinary shares				
Final dividend in respect of 2018 year	8 Oct 18	Franked	$ 0.21	66.5
Balance of franking account at 30%				**87.9**
Year ended 30 June 2017				
Dividends paid				
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
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**

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 $28.5 million (2017: $25.3 million).

UNRECOGNISED ITEMS

26. CONTINGENT LIABILITIES

The nature of the Group's and equity accounted investees' activities are such that, from time to time, claims are received or made by the Group. The Directors are of the opinion that no claims are expected to have a material adverse effect on the financial statements of the Group and as such do not require disclosure as a contingent liability.

Critical accounting estimates and judgements

Environmental risk and regulation

The Group and the industries in which it operates are subject to a broad range of environmental laws, regulations and standards (including certain licensing requirements). This could expose the Group to legal liabilities or place limitations on the development of its operations. In addition there is a risk that property utilised by the Group from time to time may be contaminated by materials harmful to human health (such as hazardous chemicals). In these situations the Group may be required to undertake remedial works on contaminated sites and may be exposed to third party compensation claims and other environmental liabilities. Management judgement is therefore required to estimate the impact of such factors on future earnings supporting existing goodwill and intangible assets.

	2018 $m	2017 $m
Continuing operations		
Contingent liabilities		
Performance guarantees	101.5	101.3
Financial guarantees	49.1	4.0
Discontinued operations		
Contingent liabilities		
Performance guarantees	–	24.6
Financial guarantees	–	25.9
Total contingent liabilities	**150.6**	**155.8**

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 2018.

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.

27. COMMITMENTS

	2018 $m	2017 $m
Capital expenditure commitments		
Payable:		
Not later than one year	69.5	27.3
Finance lease commitments		
Payable:		
Not later than one year	0.5	0.3
Later than one year but not later than five years	0.5	–
Minimum lease payments[(a)]	**1.0**	**0.3**
Less future finance charges	(0.1)	–
	0.9	**0.3**
Operating lease commitments[(b)]		
Payable:		
Not later than one year	113.8	54.7
Later than one year but not later than five years	249.1	145.6
Later than five years	106.3	118.8
	469.2	**319.1**
Exploration expenditure commitments[(c)]		
Payable:		
Not later than one year	22.2	23.7
	22.2	**23.7**
The above commitments include exploration expenditure commitments relating to joint venture operations in relation to AC/RL9:		
Not later than one year	2.2	3.7
	2.2	**3.7**
Other commitments[(d)]		
Payable:		
Not later than one year	19.4	41.3

(a) minimum 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, as well as an amount of undrawn loan commitment to an unlisted property management business.

UNRECOGNISED ITEMS

28. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as outlined below, there has not arisen in the interval between 30 June 2018 and the date of this Report any other event that would have had a material effect on the Financial Statements as at 30 June 2018.

Refinancing of corporate syndicated facility

On 21 August 2018, the Group successfully concluded the amendment and extension of its corporate syndicated loan facility. The facility remains unsecured and is supported by guarantees by the Company and certain subsidiaries within the Group. The facility limit has increased from $900.0 million to $1,300.0 million across three and five year tranches of $400.0 million and $900.0 million respectively.

TELYS4 conversion

The Company has announced a proposal to amend the terms of the TELYS4 preference shares (TELYS4) and thereafter, convert the TELYS4 to ordinary shares (Conversion Proposal). Further information regarding the Conversion Proposal is provided in the Explanatory Memorandum lodged with the ASX on 22 August 2018.

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 2018 compared to their market value at 30 June 2018 is outlined below.

	Market value	
	21 August 2018 $m	30 June 2018 $m
Listed equity securities	361.1	329.2
Listed investments accounted for using the equity method	1,693.0	1,536.1
Total listed investments	**2,054.1**	**1,865.3**

29. PARENT ENTITY DISCLOSURES

As at and throughout the year ended 30 June 2018 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	
	2018 $m	2017 $m
Financial position of parent entity at end of the year		
Current assets	663.0	1.0
Total assets	3,772.1	3,129.7
Current liabilities	1.5	103.6
Total liabilities	781.7	533.7
Total equity of the parent entity comprising of:		
Contributed equity	2,858.6	2,472.9
Reserves	9.1	7.7
Retained earnings	122.7	115.4
Total shareholders equity	**2,990.4**	**2,596.0**
Result of the parent entity		
Profit for the year	156.0	136.4
Total comprehensive income for the year	**156.0**	**136.4**
Other information		
Contingent liabilities of the parent entity(a)	143.0	123.4

(a) relates to financial and performance guarantees provided to third parties by the parent entity. In the prior year, relates to financial guarantees provided to third parties by the parent entity for subsidiary debt facilities and other financing arrangements.

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.

GROUP STRUCTURE

30. CONTROLLED ENTITIES

	Notes	Country of incorporation	OWNERSHIP INTEREST 2018 %	2017 %
Parent entity				
Seven Group Holdings Limited	(a)	Australia		
Subsidiaries				
All Hire Pty Limited	(b)	Australia	100	–
Allight Holdings Pty Limited	(a)	Australia	100	100
AllightSykes New Zealand Limited		New Zealand	100	100
AllightPrimax FZCO		UAE	100	100
AllightSykes Pty Limited	(a)	Australia	100	100
AllightSykes SA (Proprietary) Limited		South Africa	100	100
Allplant Services Pty Limited	(b)	Australia	100	–
Australian Highway Plant Services Pty Limited	(b)	Australia	100	–
C7 Pty Limited	(a)	Australia	100	100
Coates Fleet Pty Limited	(b)	Australia	100	–
Coates Group Holdings Pty Limited	(b)	Australia	100	–
Coates Group Pty Limited	(b)	Australia	100	–
Coates Hire Access SPV Pty Limited	(b)	Australia	100	–
Coates Hire Holdco SPV Pty Limited	(b)	Australia	100	–
Coates Hire Limited	(b)	Australia	100	–
Coates Hire (NZ) Limited	(b)	New Zealand	100	–
Coates Hire Operations Pty Limited	(b)	Australia	100	–
Coates Hire Overseas Investments Pty Limited	(b)	Australia	100	–
Coates Hire Traffic Solutions Pty Limited	(b)	Australia	100	–
Direct Target Access Pty Limited	(a)	Australia	100	100
DWB (NH) Pty Limited	(b)	Australia	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	(c)	China	–	100
Manooka Holdings Pty Limited	(a)	Australia	100	100
Miltonstar Pty Limited	(a)	Australia	100	100
Mining Equipment Spares Pty Limited		Australia	100	100
Nahi Pty Limited	(b)	Australia	100	–
National Hire Equipment Pty Limited	(b)	Australia	100	–
National Hire Facilitation Pty Limited	(a)	Australia	100	100
National Hire Finance Pty Limited	(b)	Australia	100	–
National Hire Group Limited	(a)	Australia	100	100
National Hire Operations Pty Limited	(b)	Australia	100	–
National Hire Properties Pty Limited	(b)	Australia	100	–
National Hire Trading Pty Limited	(b)	Australia	100	–
Ned Finco Pty Limited	(b)	Australia	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	(d)	Australia	100	100
PT AllightSykes		Indonesia	100	100
PT Coates Hire Indonesia	(b)	Indonesia	100	–
PT Coates Services Indonesia	(b)	Indonesia	100	–
Pump Rentals Pty Limited	(a)	Australia	100	100
Realtime Reporters Pty Limited		Australia	100	100
Seven Broadcast Properties Trust		Australia	100	100

	Notes	Country of incorporation	OWNERSHIP INTEREST 2018 %	2017 %
Seven Custodians Pty Limited	(a)	Australia	100	100
Seven Entertainment Pty Limited		Australia	100	100
Seven Media Group Pty Limited	(a)	Australia	100	100
Seven (National) Pty Limited	(a)	Australia	100	100
Seven Network International Limited	(a)	Australia	100	100
Seven Network Investments Pty Limited	(a)	Australia	100	100
Seven Network Limited	(a)	Australia	100	100
Seven Network Nominees Pty Limited	(a)	Australia	100	100
Seven Network (United States) Inc		USA	100	100
Seven Resources Pty Limited	(a)	Australia	100	100
Seven (WAN) Pty Limited		Australia	100	100
SGH Communications Pty Limited		Australia	100	100
SGH Energy Aust. Pty Limited		Australia	100	100
SGH Energy Corporate Pty Ltd	(e)	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	(e)	Australia	100	100
SGH Energy Pty Ltd		Australia	100	100
SGH Energy Services Pty Ltd	(e)	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	(c)	China	–	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	(c)	China	–	100
Tru Blu Hire Australia Pty Limited	(b)	Australia	100	–
Weishan (Beijing) Machinery Equipment Limited	(c)	China	–	100
WesTrac (Beijing) Machinery Equipment Limited	(c)	China	–	100
WesTrac China Limited	(c)	Hong Kong	–	100
WesTrac (China) Machinery Equipment Limited	(c)	China	–	100
WesTrac Holdings Pty Limited	(a)	Australia	100	100
WesTrac Hong Kong Limited	(c)	Hong Kong	–	100
WesTrac Machinery Distribution Pty Limited		Australia	100	100
WesTrac Pty Limited		Australia	100	100

(a) pursuant to ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 these controlled entities are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of financial reports.
(b) this company was acquired as part of the Coates Hire acquisition. Refer to Note 31: Business Combination for further detail.
(c) this company was disposed of as part of the WesTrac China disposal group. Refer to Note 32: Disposal of Business for further detail.
(d) this company was deregistered on 18 July 2018.
(e) these entities are in the process of being deregistered at 30 June 2018.

GROUP STRUCTURE

30. CONTROLLED ENTITIES (CONTINUED)

Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 ("Instrument") the wholly-owned controlled entities (marked (a) in the preceding table) are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' reports.

It is a condition of the Instrument that the Company and each of the wholly-owned controlled entities (marked (a)) enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the parties to the Deed under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A combined statement of comprehensive income and combined statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, are set out below.

	COMBINED	
	2018 $m	2017 $m
Statement of comprehensive income		
Revenue		
Revenue	88.6	63.3
Other income		
Other income	11.8	7.7
Gain on sale of derivatives	4.2	1.9
Dividend income	377.4	152.8
Total other income	**393.4**	**162.4**
Share of results from equity accounted investees	125.1	(182.9)
Revaluation of equity interest on acquisition of Coates Hire	14.5	-
Net gain on sale of WesTrac (China) Machinery Equipment Limited	62.0	-
Impairment reversal of equity accounted investees	28.6	128.4
Fair value movement of derivatives	4.4	3.1
Expenses excluding depreciation and amortisation	(111.7)	(91.8)
Depreciation and amortisation	(0.8)	(1.0)
Profit before net finance expense and tax	**604.1**	**81.5**
Net finance expenses	(34.4)	(38.3)
Profit before tax	**569.7**	**43.2**
Income tax (expense)/benefit	(101.2)	9.5
Profit for the year	**468.5**	**52.7**
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	(146.9)	(106.4)
Income tax on items of other comprehensive income	(20.4)	30.8
Total items that will not be reclassified subsequently to profit or loss	**(167.3)**	**(75.6)**
Items that may be reclassified subsequently to profit or loss:		
Foreign currency differences for foreign operations	(5.6)	(8.0)
Income tax on items of other comprehensive income	-	-
Total items that may be reclassified subsequently to profit or loss	**(5.6)**	**(8.0)**
Total comprehensive income for the year	**295.6**	**(30.9)**
Movement in retained earnings		
Retained profits at beginning of the year	437.2	520.7
Profit for the year	468.5	52.7
Dividends paid during the year	(148.6)	(136.2)
Retained earnings at end of the year	**757.1**	**437.2**

	COMBINED	
	2018 $m	2017 $m
Statement of financial position		
Current assets		
Cash and cash equivalents	19.6	116.0
Trade and other receivables	21.9	16.3
Inventories	28.2	25.0
Loans to related parties	562.7	31.0
Other current assets	0.1	-
Total current assets	**632.5**	**188.3**
Non-current assets		
Investments in controlled entities	1,805.0	865.5
Investments accounted for using the equity method	1,038.8	1,106.9
Other financial assets	329.2	502.2
Property, plant and equipment	0.4	1.7
Intangible assets	0.9	0.8
Derivative financial instruments	0.2	0.4
Total non-current assets	**3,174.5**	**2,477.5**
Total assets	**3,807.0**	**2,665.8**
Current liabilities		
Interest bearing loans and liabilities	43.2	40.1
Trade and other payables	51.1	57.0
Loans from related parties	-	14.7
Deferred income	0.8	0.8
Provisions	5.0	4.0
Derivative financial instruments	0.1	0.8
Total current liabilities	**100.2**	**117.4**
Non-current liabilities		
Interest bearing loans and liabilities	1,446.7	813.6
Deferred tax liabilities	22.8	21.2
Trade and other payables	3.6	0.9
Provisions	2.1	2.9
Deferred income	-	7.3
Derivative financial instruments	60.6	-
Total non-current liabilities	**1,535.8**	**845.9**
Total liabilities	**1,636.0**	**963.3**
Net assets	**2,171.0**	**1,702.5**
Equity		
Issued capital	2,858.6	2,472.9
Reserves	(1,444.7)	(1,207.6)
Retained earnings	757.1	437.2
Total equity	**2,171.0**	**1,702.5**

OTHER

31. BUSINESS COMBINATION

Coates Hire acquisition

On 20 September 2017, the Company announced the acquisition of the remaining 53.3 per cent of Coates Group Holdings Pty Ltd (Coates Hire), Australia's leading equipment hire company.

The transaction was completed on 25 October 2017 (acquisition date), moving SGH to full ownership of Coates Hire. The acquisition continues SGH's focus on becoming the leading operator of industrial services businesses in Australia and driving efficient capital allocation across its portfolio.

As the acquisition represented a step-acquisition, the Group's existing 46.7 per cent equity accounted interest was first revalued to its fair value of $323.5 million at 25 October 2017 consistent with AASB 3: *Business Combinations*. The difference between the fair value and carrying value of the Group's investment in Coates Hire on acquisition date of $14.5 million has been recognised as a gain on revaluation in the consolidated income statement.

Coates Hire has contributed revenue of $649.8 million and a net profit after tax of $55.9 million for the year. Had the transaction taken place on 1 July 2017, Coates Hire would have contributed revenue of $978.1 million and a net profit after tax of $85.9 million.

Details of the purchase consideration, the net assets and the allocation of identifiable intangibles are final.

Goodwill on acquisition of $1,049.9 million represents the benefit of increased exposure to Australia's growing East Coast infrastructure activity as well as synergies to be generated through the Group's existing industrial services businesses.

Acquisition costs of $1.0 million relating to the transaction were incurred during the year and are included in other expenses in the consolidated income statement.

	$m
Consideration	
Cash paid	507.7
Non-share equity interests acquired	9.1
Cash acquired	(21.4)
Fair value of existing equity accounted interest	323.5
Total consideration	**818.9**
Identifiable assets acquired and liabilities assumed	
Trade and other receivables	189.5
Inventories	5.9
Other current assets	14.1
Property, plant and equipment	675.7
Identifiable intangible assets	131.9
Trade and other payables	(107.9)
Net deferred tax liabilities	(61.9)
Interest bearing loans and borrowings	(1,033.6)
Derivative financial instruments	(2.8)
Provisions	(9.5)
Employee benefits	(32.4)
Fair value of identifiable net liabilities assumed	**(231.0)**
Goodwill on acquisition	
Total consideration transferred for accounting purposes at fair value	818.9
Less: fair value of identifiable net liabilities assumed	231.0
Goodwill on acquisition	**1,049.9**

32. DISPOSAL OF BUSINESS

Sale of WesTrac China

The sale of entities comprising the Group's WesTrac China operating segment to Lei Shing Hong Machinery Limited was completed on 31 October 2017.

A net gain on sale of $74.3 million, comprising $5.3 million loss on sale of discontinued operations, transaction costs of $0.3 million and $79.9 million for amounts reclassified from foreign currency translation has been recognised in the consolidated income statement.

The combined results of the discontinued operations included in the Group's profit for the year are set out below.

	2018 $m	2017 $m
Discontinued operations		
Revenue	189.9	602.4
Other income	2.3	4.2
Fair value movement of derivatives	–	2.1
Expenses excluding depreciation and amortisation	(174.2)	(567.4)
Profit before depreciation, amortisation, net finance expense and income tax	**18.0**	**41.3**
Depreciation and amortisation	(0.8)	(3.1)
Profit before net finance expense and income tax	**17.2**	**38.2**
Finance expense	(2.1)	(2.2)
Profit before income tax	**15.1**	**36.0**
Income tax expense	(4.7)	(6.2)
Profit for the year from discontinued operations	**10.4**	**29.8**
Profit for the year from discontinued operations attributable to:		
Equity holders of the Company	10.4	30.0
Non-controlling interest	–	(0.2)
Profit for the year from discontinued operations	**10.4**	**29.8**
Cash flows from discontinued operations		
Net operating cash flows	(43.1)	71.2
Net investing cash flows	(1.7)	3.4
Net financing cash flows	5.7	(41.6)
Net cash (outflow)/inflow	**(39.1)**	**33.0**

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:

	2018 $000	2017 $000
Short-term employee benefits	9,725	7,706
Post-employment benefits	252	284
Termination benefits	–	23
Other long-term employee benefits	222	233
Share-based payments	4,855	2,516
Total key management personnel compensation	**15,054**	**10,762**

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.

OTHER

33. RELATED PARTY DISCLOSURES (CONTINUED)

Director related party transactions

There have been a number of related party transactions with director related entities during the year. Refer to page 40 for further detail.

The WesTrac Group had previously entered into a number of leases for premises owned by a director related entity. During the year ended 30 June 2017, a number of these properties were sold on an arm's length basis to a third party.

Other transactions with related parties

A number of Directors and KMP hold directorships in other entities. Several of these entities transacted with the Group on terms and conditions no more favourable than those available on an arm's length basis.

Entities controlled by the Company agreed to sub-underwrite the institutional and retail tranches of Beach Energy's '3 for 14 Entitlement Offer' in September 2017 for up to 68,260,311 New Shares ("Sub-Underwriting Cap"). The Group received an arm's length fee for its sub-underwriting commitment which is materially the same as paid by the Underwriters to other institutional sub-underwriters.

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.

	2018 $m	2017 $m
Sales revenue		
Associates	3.3	2.8
Joint ventures	3.9	19.8
Other income		
Associates	1.1	–
Joint ventures	0.6	1.6
Finance income		
Joint ventures	0.1	–
Rental expense		
Joint ventures	(0.4)	(1.0)
Other expenses		
Associates	(7.9)	(2.9)
Expense reimbursement		
Associates	–	(0.7)
Outstanding balances arising from transactions with equity accounted investees:		
Trade and other receivables		
Associates	0.8	1.0
Joint ventures	–	5.2
Trade and other payables		
Associates	(0.5)	–
Tax payable to equity accounted investee who is a member of the tax-consolidated group		
Joint ventures	–	(14.7)

34. AUDITOR'S REMUNERATION

Amounts received or due and receivable by auditors of the Company are set out below.

	2018 $000	2017 $000
Audit and audit related services		
Auditors of the Company		
Australia		
Audit and review of financial reports	942	600
Other assurance services	130	–
Overseas		
Audit and review of financial report	144	225
Total audit and audit related services	**1,216**	**825**
Other services		
Auditors of the Company		
Australia		
Other advisory services	129	218
Other tax and advisory services	4	4
Overseas		
Other tax and advisory services	21	–
Total other services	**154**	**222**
Total auditor's remuneration	**1,370**	**1,047**

The Company's external auditor is Deloitte Touche Tohmatsu. The external auditor is only appointed to assignments additional to their statutory audit duties where they are able to maintain their audit independence. All amounts payable to the auditors of the Company were paid by Group subsidiaries.

DIRECTORS' DECLARATION

Year ended 30 June 2018

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 46 to 109 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 2018 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. As at the date of this declaration, 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 2018.
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 2018

INDEPENDENT AUDITOR'S REPORT

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 2018, 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 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of producing and development assets As disclosed in Note 13, the Group has producing and development assets of $222.2 million. The assessment of the recoverable amount requires significant judgement in respect of assumptions such as estimated quantities of proven plus probable reserves and future commodity prices as well as the judgement involved in forecasting future cash flows and the selection of key assumptions.	Our procedures, performed in conjunction with valuation experts included, but were not limited to: • 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 - Assessing the key assumptions. Particular focus was given to future commodity prices. We corroborated market related assumptions by reference to external data; • Assessing the historical accuracy of forecasting of the Group where relevant in relation to the producing and development assets; • Testing, on a sample basis, the mathematical accuracy of the cash flow models; • Performing sensitivity analysis on key assumptions, including future commodity prices, production patterns and proven plus probable reserves; and • Assessing the appropriateness of the relevant disclosures in the financial statements.
Accounting for the investment in Seven West Media Limited ("SWM") As disclosed in Note 11 the Group holds an investment in SWM at a carrying value of $516.6 million, which is held at market value based on SWM share price at 30 June 2018. Accounting for the investment in SWM requires significant judgement in respect of assessing whether the Group has significant influence or control over SWM. This impacts the classification of the investment in SWM as an equity accounted investment, rather than a subsidiary which is consolidated and so has a pervasive impact on the financial statements.	Our procedures included, but were not limited to: • Evaluating management's determination that the Group's key management personnel do not exert control over the significant operational decisions of SWM. This included assessing the composition and independence of the SWM Board of Directors; • Evaluating historical voting patterns at Annual General Meetings to challenge management's conclusion that they do not have control; • Assessing the accuracy of the Group's ownership interest in SWM by recalculating SGH's ownership interest in SWM's issued share capital; • Assessing the recoverability of the investment by recalculating SGH's carrying value using the SWM closing bid price at 30 June 2018 and SGH's ownership interest; and • Assessing the appropriateness of the relevant disclosures in the financial statements.

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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 2018 the Group holds inventories with a carrying value of $828.6 million, of which $150.3 million relates to used spare parts held at WesTrac. The determination of the carrying value of inventories requires significant judgement, specifically in relation to used spare parts, as inventory provisions are determined based on the age and condition of the spare parts, and management's assessment of future demand and market conditions.	Our procedures included, but were not limited to: • Understanding the process that management undertake to determine the provision; • Testing on a sample basis management's calculation of the valuation of used spare parts held; • Testing on a sample basis management's used spare parts provision calculations, including ensuring the calculation is in line with management's identified inventory provision policy; • Assessing the assumptions, including future saleability of aged used spare parts, and corroborating management's assumptions with the relevant WesTrac inventory specialist where possible; and • Assessing the appropriateness of the relevant disclosures in the financial statements.
Acquisition of the remaining equity in Coates Hire Group Pty Limited As disclosed in Note 31, on 25 October 2017, the Group announced the completion of the acquisition of the remaining 53.3% equity in Coates Hire Group Pty Limited ("Coates Hire") for consideration of $517 million. Under AASB 3 *'Business Combinations'*, this is a step acquisition, and therefore accounting for the transaction requires the group to first derecognise the equity interest previously held (46.7%), which resulted in a gain of $14.5 million on derecognition. Following this, the acquisition of the full equity interest was recognised, including the subsequent purchase price allocation. Significant judgement is involved in assessing the fair value of the previously held equity interest.	Our procedures, performed in conjunction with valuation experts, included, but were not limited to: • Reading the securities sale agreement to understand key terms and conditions; • Obtaining the Purchase Price Allocation ('PPA') completed by management and assessing the fair value of assets and liabilities acquired as determined by management; • Challenging the assumptions and methods used by management in determining the fair value of the previously held equity interest in Coates Hire; • Testing the calculation of the gain on the revaluation of the equity interest prepared by management; 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 2018, 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

INDEPENDENT AUDITOR'S REPORT

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the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 43 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Seven Group Holdings Limited, for the year ended 30 June 2018, 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

J Gorton

Joanne Gorton
Partner
Chartered Accountants
Sydney, 22 August 2018

INVESTOR INFORMATION

SHAREHOLDER INQUIRIES

Investors seeking information regarding their shareholding or dividends or wishing to advise of a change of address should contact the Share Registry at:

Boardroom Pty Limited
Level 12
Grosvenor Place
225 George Street
Sydney NSW 2000

GPO Box 3993
Sydney NSW 2001

Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664 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 23 July 2018 are as follows:-

Shareholder	Number of Shares	% Held*
KM Stokes; North Aston Pty Limited, Wroxby Pty Limited, Tiberius (Seven Investments) Pty Limited and Ashblue Holdings Pty Limited; Tiberius Pty Limited, Redlake Pty Limited and Tiberius group entities; Australian Capital Equity Pty Limited, Clabon Pty Limited and Australian Capital Equity Pty Limited group entities.	207,304,349	65.82

* Based on issued capital at date of notification

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND TELYS4 SHAREHOLDERS

Category (No.s)	Ordinary Shareholders	TELYS4
1 – 1,000	4,414	7,701
1,001 – 5,000	2,905	704
5,001 – 10,000	399	51
10,001 – 100,000	228	27
100,001 – and over	32	2
Total No. of Holders	7,978	8,485
No. of Holdings less than a Marketable Parcel	247	25

TWENTY LARGEST ORDINARY SHAREHOLDERS

Name of Shareholder	No. of Shares	% Held
North Aston Pty Limited	60,537,558	19.13
North Aston Pty Limited	53,572,442	16.93
Ashblue Holdings Pty Limited	43,000,000	13.59
HSBC Custody Nominees (Australia) Limited	30,277,142	9.57
Ashblue Holdings Pty Limited	19,462,442	6.15
JP Morgan Nominees Australia Limited	18,693,542	5.90
Citicorp Nominees Pty Limited	18,496,666	5.85
Wroxby Pty Limited	16,731,907	5.29
National Nominees Limited	11,580,336	3.66
Wroxby Pty Limited	7,000,000	2.21
Tiberius (Seven Investments) Pty Limited	7,000,000	2.21
BNP Paribas Nominees Pty Limited	3,367,914	1.06
BNP Paribas Nominees Pty Limited	1,834,932	0.58
HSBC Custody Nominees (Australia) Limited	1,376,155	0.44
Citicorp Nominees Pty Limited	969,373	0.30
AMP Life Limited	819,165	0.26
UBS Nominees Pty Limited	731,184	0.23
HSBC Custody Nominees (Australia) Limited	512,269	0.16
BNP Paribas Nominees Pty Limited	457,411	0.14
CS Third Nominees Pty Limited	451,278	0.14
Total Twenty Largest Ordinary Shareholders	296,871,716	93.80

SHAREHOLDER INFORMATION

TWENTY LARGEST TELYS4 SHAREHOLDERS

Name of Shareholder	No. of TELYS4	% Held
Citicorp Nominees Pty Limited	281,750	5.68
HSBC Custody Nominees (Australia) Limited	204,723	4.12
Navigator Australia Limited	97,078	1.96
National Nominees Limited	56,077	1.13
Nulis Nominees (Australia) Limited	53,234	1.07
Netwealth Investments Limited	45,589	0.92
Jamplat Pty Limited	41,300	0.83
BNP Paribas Nominees Pty Limited	38,532	0.78
BNP Paribas Nominees Pty Limited	31,942	0.64
ZW 2 Pty Limited	31,100	0.63
Australian Executor Trustees Limited	31,008	0.62
Neweconomy Com Au Nominees Pty Limited	21,579	0.43
Mr DPJ and Mrs ES Mulroney	19,950	0.40
Mr MA and Ms A Cubit	18,779	0.38
Turtle SMSF Pty Limited	18,776	0.38
Richards Family Fund Pty Limited	18,100	0.37
Morgan Stanley Australia Securities (Nominees) Pty Limited	16,014	0.32
Lenhut Pty Limited	15,619	0.31
Mr LCJ and Mrs CK Lees	14,803	0.30
Pullington Investments Pty Limited	13,800	0.28
Total Twenty Largest TELYS4 Shareholders	1,069,753	21.55

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.

The Company is also listed on the Singapore Exchange Limited from 6 March 2018.

CORPORATE DIRECTORY

SEVEN GROUP HOLDINGS LIMITED

Head office
Level 2, 38 – 42 Pirrama Road
Pyrmont NSW 2009
Ph: (02) 8777 7777
Fax: (02) 8777 7778

WesTrac WA
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

Coates Hire
Level 6, 241 O'Riordan Street
Mascot NSW 2020
Ph: 13 15 52

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

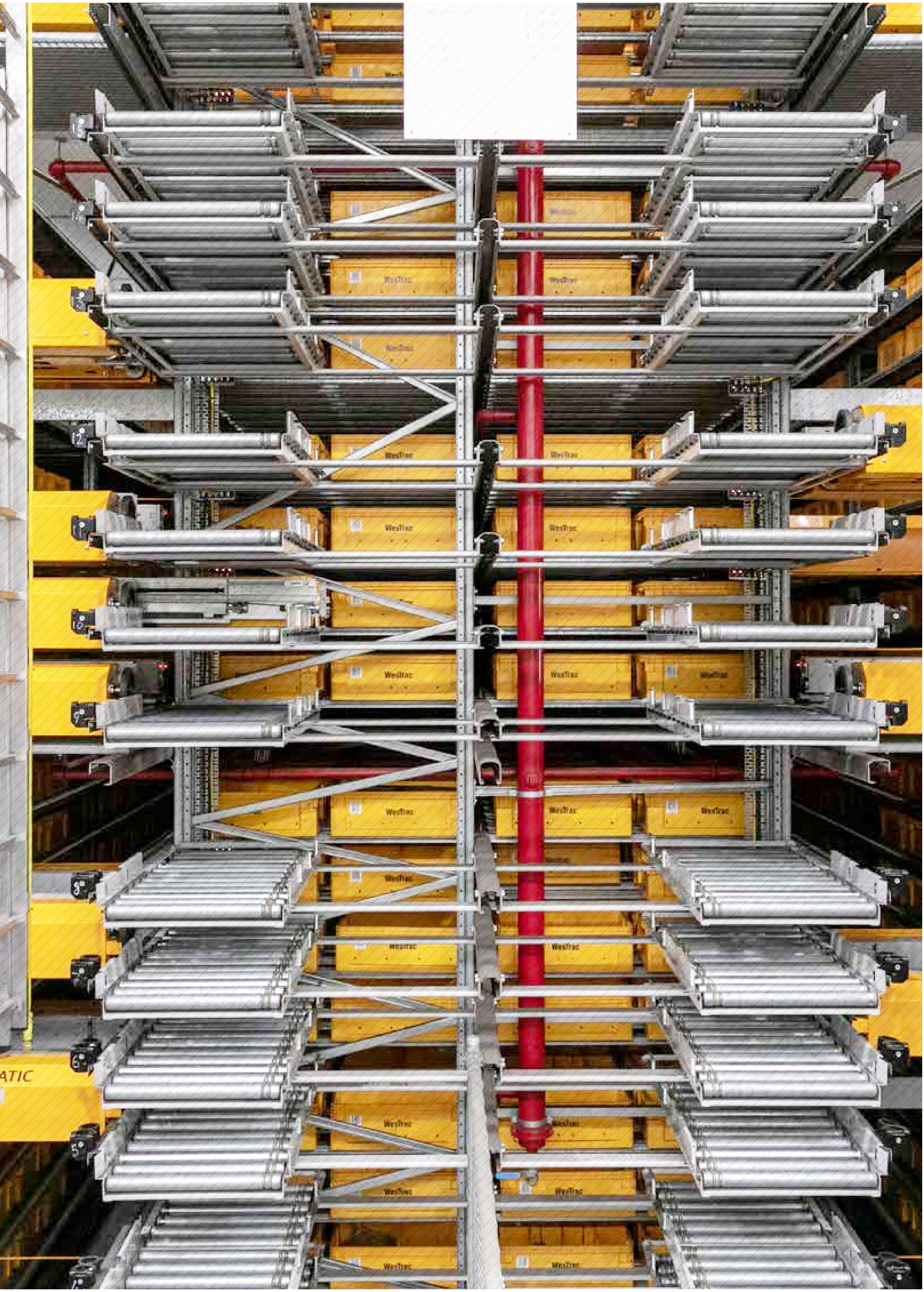
AUDITOR

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

LEGAL ADVISORS

Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Clayton Utz
Level 15
1 Bligh Street
Sydney NSW 2000


WesTrac

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