AGILITY MEETING CHANGE

ANNUAL REPORT 2016

SGH | Industrial Services, Media, Energy and Investments

SEVEN GROUP HOLDINGS LIMITED
ANNUAL REPORT 2016
ABN 46 142 003 469

This year we have benefitted from the ongoing demand for parts and services created by the high level of mining production. This demonstrates the strength of the CAT dealer model

The momentum of change continues across our businesses to ensure we remain a valued partner to our customers through productivity improvements, investment in technology and increased agility and responsiveness

Roy Hill trucks go pink for Breast Cancer Awareness

GROUP STRUCTURE

We continue to maintain an efficient capital structure, giving us the flexibility to fund our existing businesses and invest in new opportunities that may arise out of these difficult economic times.

INDUSTRIAL SERVICES

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Our success is built on a refined operating model which has seen an enhanced focus on remaining market competitive in terms of price whilst delivering innovative customer solutions.

100% (AUSTRALIA)

WesTrac CAT

100% (CHINA)

WesTrac 威斯特 CAT

46.5%

coateshire

100%

ALLIGHTSYKES

MEDIA INVESTMENTS

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Seven West Media continues its focus on content creation and audience delivery across multiple platforms. Seven is in its 10th consecutive year of ratings leadership and engages with more Australians on a daily basis than any other medium. There is still no better place to build a brand than on TV.

41.0%

20%

ENERGY

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The Group has exercised patience and discipline in terms of further energy investments, with the key thematic of a shortfall in East Coast gas expected to provide opportunities to extract value from the company's petroleum reserves.

AUSTRALIAN ASSETS

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

OVERSEAS ASSETS

- 11.2% ownership in Bivins Ranch, Texas USA

BEACH ENERGY 22.9%

OTHER INVESTMENTS

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Earnings from Other investments grew by 9 per cent over the year mainly due to profit from the development and sale of 25 lots at Seven Hills, in addition to which the Group recorded a $37 million pre-tax profit from the realisation of other property assets.

LISTED PORTFOLIO

Carrying value at June 2016 – $621.6m

PROPERTY PORTFOLIO

- Direct property investments
  - Carrying value at June 2016 – $29.8m
  - Kings Square development, Perth WA
  - Seven Hills (formerly Dianella studios, Perth WA)
- Indirect property investments
  - Carrying value at June 2016 – $29.5m
  - Invested in unlisted property trusts (Revy Investments – 25% and Flagship – 47%)

CHAIRMAN'S LETTER

Over the past three years Seven Group Holdings has operated in challenging environments, however, the leading market positions of its businesses coupled with the capable management teams supported by an engaged workforce have ensured that Seven Group Holdings has preserved its underlying profitability.

Over the past three years Seven Group Holdings has operated in challenging environments, however, the leading market positions of its businesses coupled with the capable management teams supported by an engaged workforce have ensured that Seven Group Holdings has preserved its underlying profitability.

Our strong balance sheet, strategic investments and access to capital markets provide us with the tools to overcome the new challenges as well as the ability to take full advantage of opportunities to further build your Company and create shareholder value. The seamless transition of CEOs has also demonstrated the agility of the business to assimilate and effectively manage change.

I have operated businesses through various economic cycles, the inflation-led credit squeeze of the 1950s and 1960s, the oil crisis of the 1970s, the global recession following the stock market crash of 1987, the Asian financial crisis and the recession we had to have in the 1990s, the GFC in 2008. And yet, in my experience, the last 12 months reflect a relative low in business confidence over these past six decades. Despite this economic malaise, both domestically and internationally, Seven Group Holdings has adjusted its operating model to compete vigorously and successfully in the markets within which it participates. We have leveraged our talented management teams and passionate workforce to navigate these challenges.

This success is built on a refined operating model which has seen an enhanced focus on remaining market competitive in terms of value proposition whilst delivering innovative customer solutions. Australia is producing and exporting record volumes of iron ore in Western Australia and coal in New South Wales. SGH is well positioned to service and support our customers in this strong production cycle.

One of the great examples of this has been the success of the CAT autonomous haulage solution (AHS) which is allowing our customers to achieve world leading productivity performance.

It is particularly satisfying that we have been able to outperform 2016 financial year earnings guidance and maintained a stable fully-franked dividend. We expect current competitive trading conditions to persist. However, the refined cost structure and recurrent revenue will support current profitability until the resource industry transitions into the next capital replacement cycle. Given the current average age of the installed fleet operating in our territories, reinvestment is anticipated over the next few years.

Pleasingly, customers are now working collaboratively with WesTrac to optimise their cost structure, focusing on productivity and working capital improvements rather than merely looking to achieve cost reductions. This is an important and ongoing initiative and whilst the Board acknowledges the results to date, there is much more we plan to do in order to fully capitalise on the current production cycle.

Seven West Media continues to lead and dominate through a challenging environment. We have been very pleased with the strong ratings performance, a growth in total audience through the year and our cost activities which have attempted to address the challenging revenue result. They are focused on what they can do to change the revenue dynamic and continue to advance their content opportunities such as My Kitchen Rules launching in the USA later this year and now aired in more than 20 countries.

We continue to maintain an efficient capital structure, giving us the flexibility to fund our existing businesses and invest in new opportunities that may arise out of these difficult economic times. This capital structure has been further buttressed by the extension of the $1.2 billion of Group debt facilities during the year, providing the Group an average debt duration of 5.3 years.

For the benefit of all shareholders, the Board has aimed to maintain your dividend through the cycle whilst opportunistically making efficient use of available capital via the share buy-back to enhance shareholder returns. Over the year, the effect of the buy-back has been to generate a 24% post tax return for shareholders. To this end, the Board has elected to extend the ordinary share buy-back to the TELYS4 shares allowing the value to be captured should its price again fall below intrinsic value.

Equally important is our commitment to further improve safety performance across all our businesses. This is important for our people and our customers and will ultimately be a differentiator. The Board firmly believes that the planning and safe execution of all jobs is the key to efficiency. More importantly, this protects our workforce, giving them a confidence that enhances their individual skill sets.

The Board continues to review its composition and we intend to continue the process of the Board renewal, recognising the benefits of directors with a broad range of skills, experience and perspectives. This year we welcome the appointment of Ms Annabelle Chaplain as a Non-Executive Director. Ms Chaplain brings extensive experience in investment banking, financial services, mining, engineering and major infrastructure services. We are delighted that she has agreed to join the Board of Seven Group Holdings.

Finally, I would like to thank our management teams across our operating businesses and the SGH team. Together with the approximately 4,300 employees, they continue to adapt to the ever changing environment and ensure our businesses remain strong and competitive. Without their tireless effort and commitment this financial result could not be achieved.

The Board and I appreciate their efforts, commitment and contribution to deliver such a strong FY16 Group result whilst repositioning the Group for the next phase of growth.

Your Board is focused on driving greater returns for all shareholders, and, on behalf of the Board, I thank you, our shareholders, for your continuing support and commitment to your Company.

KERRY STOKES AC
EXECUTIVE CHAIRMAN

Return on buy-back
24%

Refinanced
$1.2bn

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S LETTER

Building on the strong foundations laid by all the businesses over the last three years, I am pleased to deliver a full year result ahead of financial year 2016 market guidance.

The momentum of change continues across our businesses to meet the challenges of varied market conditions and ensure we remain a valued partner to our customers through productivity improvements, investment in technology and increased agility and responsiveness.

This year we have benefited from the ongoing demand for parts and services created by the high level of mining production. This demonstrates the strength of the CAT dealer model working through the cycle to be able to deliver value to our customers.

This year WesTrac WA had its best market share result since 2012 in the mining sector. Building construction and overall construction market shares were also significantly higher and close to our highest ever levels. The sales team in NSW also regained market leadership with a 20 per cent market share. Both dealerships also benefited from strong improvement in used equipment sales with higher levels of interest and a few overseas sales during the year, challenging the soft market of the preceding year. This is central to the execution of WesTrac Australia's strategic intent of being the customer's first choice for the provision of equipment solutions.

The team ensured the seamless delivery of the 793F truck fleet and 994H large wheel loaders for Roy Hill to support their ramp up in production. The Roy Hill Project was the only major greenfield mining expansion project to commission new fleet. The record iron ore and coal production presents opportunities for our business but it requires our business to evolve and transform constantly to meet the current conditions.

Our customers are leading the way with technology enabled solutions and we are helping drive this with the CAT Autonomous Haulage Solution (AHS), where fully autonomous trucks are working in sites in the Pilbara region with the target to operate more than 7,200 hours per annum. This technology coupled with the committed partnerships between CAT, the customer and WesTrac Australia is delivering world leading performance and aiding the achievement of the lowest cash cost per tonne for iron ore globally.

This technology success is built on enhanced value propositions underpinned by the development and delivery of innovative customer solutions such as component life guarantees and contracted cost downs. Using the GPS-tracking capabilities within the CAT MineStar mine planning system, allowed our engineers to reroute a fleet of 793F trucks which facilitated a major miner to reduce their overall fuel consumption by approximately five per cent.

Working closely with CAT and leveraging the Parts Distribution Centre investment in South Guildford, we are also finding ways to improve the costs of delivering parts. WesTrac has reduced the turnaround window from Perth to the Pilbara to less than 6 hours. The combined effect of which is to allow our major customers to reduce their inventory of critical spares and place greater reliance upon WesTrac's ability to have the required parts Delivered In-Full, On-Time (DIFOT). Investments in SAP HANA have also allowed us to hold a broader range of parts utilising predictive algorithms to aid optimised inventory holdings without increasing the dollar value of our overall inventory.

Our service capabilities are also enabling our customers to achieve world class performance in coal mining. The longwall at Narrabri North Mine, Whitehaven's underground mine in NSW, is regarded by CAT as the most productive of its type in the world, and consistently produces above nameplate capacity. Similarly, Glencore's 797 fleet at Ravensworth North, which is maintained by us under a maintenance and repair contract, consistently exceeds availability guarantees and is viewed as best in class performance globally and a reference site for CAT's "Winning Together" 797 Total Cost of Ownership product improvement program.

Complementing our focus on innovation has been our commitment to safety. The launch of Our Values and Behaviours has had a profound effect on our safety performance and employee engagement. Our first value of "Keep each other safe" and our supporting behaviours has seen Total Recordable Injury Frequency Rate (TRIFR) reduced by 55 per cent over 12 months; and NSW achieving two years Lost Time Injury Free for the first time in its history. Safety is important for our people and our customers. It is at the heart of everything we do across the Group.

For WesTrac China, the economic transition from infrastructure to consumption-led growth required a continued commitment during the year to reshaping the organisation, branches and workforce. This year we have achieved record market share performance in the hydraulic excavator segment, however the industry itself has continued to contract by 32 per cent year-on-year. We are pursuing opportunities with Chinese State Owned Enterprises investing in major projects overseas and looking to use China-sourced solutions such as our machines. We continue to build our relationships to capture these opportunities.

These market contractions necessitated the identification of new sector opportunities for the CAT family of product, such as standby power generation. In diversifying its business, WesTrac China successfully engineered and installed standby power for the China Construction Bank Corporation (CCB) Beijing data centre. This is the global data processing and storage base for CCB and the largest bank-owned data centre in the world. The project required 48 CAT C175 generator sets as standby power representing an installed base of almost 100MW, with CAT quality and reliability being critical differentiators.

The strength of SGH is also our exposure to sectors outside industrial services. We retain a material investment in Seven West Media and believe that the underlying strengths of Seven West Media's market-leading presence in broadcast television, newspaper and magazine publishing and online will yield value to the Group. The Seven West Media team continues its focus on content creation and audience delivery across multiple platforms. Seven is in its 10th consecutive year of ratings leadership and engages with more Australians on a daily basis than nearly any other medium. There is still no better place to build a brand than on TV.

They have taken the lead in the delivery of their television content beyond the television screen, making momentous moves into new forms of content delivery and engagement with audiences across any device. Seven West Media has also made significant inroads in monetising their content and production capabilities internationally with the formation of 7Wonder and 7Beyond. The success of the two businesses will facilitate the further expansion of their production of new television content in international markets over the coming 12 months.

From an energy perspective, the Group has exercised patience and discipline in terms of further energy investments. We have recently secured a seat on the board of Beach Energy and expect the company's announced synergy benefits to be realised. The shortfall in East Coast gas is still expected to provide opportunities to extract value from the company's petroleum reserves. SGH Energy, the third operating pillar for the Group, with its current and longer term gas interests is a platform to increase future shareholder returns over the longer term.

Coates Hire continues to streamline its fleet according to customers' demand while remaining focused on safety and operational performance improvements. The company is the clear market leader in the rental services sector and has invested over the last 12 months to recover its leading market share, by increasing the 'share of wallet'. We are seeing positive results with infrastructure projects in NSW, while not completely offsetting the slowdown in resource projects in the West. Consequently, Coates Hire is leveraging its national footprint and strong cash flows, relocating its fleet West to East. Coates Hire will continue to refine its cost base and optimise its branch network to ensure its competitiveness across its markets.

Deleveraging will remain a priority with disciplined fleet investment and divestment and working capital management. At the same time, Coates Hire has been opportunistically acquiring distressed complementary assets to efficiently increase revenue prospects and cash flow.

Common to all our operating businesses has been the focus to drive strong operating cash flow through the disciplined management of working capital. This is best evidenced by our underlying EBITDA cash conversion of 112 per cent, which represents an improvement on the 99 per cent achieved in the last two years. We will continue to focus on debtor collection, parts turn and realising slow moving inventory. Collectively these measures have reinforced what is already a strong balance sheet.

The strength of the operating performance has allowed the Group to successfully refinance $1.2 billion of its core debt facilities, with the Group now enjoying a weighted average debt duration of 5.3 years. This demonstrates the strong capital market's support for the Group which will effectively reduce our funding costs on core facilities and deliver in excess of $10 million of savings during FY17.

It has been a challenging 12 months for the Group, but all our leading businesses have met these challenges directly and succeeded in finding innovative solutions while preserving underlying profitability. Our businesses have operated successfully through cycles in the past and we are confident of our position through the current economic environment. We are looking forward to continuing to drive our underlying performance and taking advantage of new opportunities for our businesses as we seek to enhance shareholder value.

We thank you, our shareholders, for your continuing commitment.

RYAN STOKES
MD & CEO

AHS delivery productivity improvement

20%

EBITDA cash conversion

112%

FIVE YEAR RESULTS

	2016 $m	2015 $m	2014 $m	2013 $m	2012 $m
Trading revenue	2,837.7	2,779.6	3,088.2	4,751.6	4,467.4
Underlying results [(a)]					
EBITDA	340.8	376.6	422.5	686.0	629.8
EBIT	302.8	314.5	374.4	622.8	553.1
Profit before tax	213.6	230.9	302.2	514.0	440.0
Profit after tax	184.2	204.3	253.2	398.9	343.2
Underlying EPS	0.56	0.59	0.74	1.20	0.98
Statutory results					
Profit before tax	217.0	(650.1)	310.7	622.9	132.8
Profit after tax	197.8	(359.1)	262.5	488.6	176.7
Reported EPS ($)	0.60	(1.29)	0.77	1.49	0.43
Operating cash flow per share ($) [(b)]	1.10	0.96	0.80	2.73	(0.38)
Free cash flow per share ($) [(c)]	0.93	0.60	0.52	2.69	(0.62)
Full year fully franked dividend per share ($)	0.40	0.40	0.40	0.40	0.38

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

(b) 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.

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

OPERATING AND FINANCIAL REVIEW

GROUP BUSINESS MODEL

Industrial Services

WESTRAC AUSTRALIA
CONTROLLED BUSINESS
SGH OWNERSHIP: 100%

INDUSTRY:
mining and construction equipment

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

TRADING REVENUE FY16:
$2,150.0M

SEGMENT ASSETS:
$1,531.5M

WESTRAC CHINA
CONTROLLED BUSINESS
SGH OWNERSHIP: 100%

INDUSTRY:
mining and construction equipment

STRATEGIC POSITION:
one of the leading equipment solutions companies in China

TRADING REVENUE FY16:
$600.5M

SEGMENT ASSETS:
$653.1M

COATES HIRE
JOINT VENTURE
SGH OWNERSHIP: 46.5%

INDUSTRY:
industrial and general equipment hire

STRATEGIC POSITION:
#1 Australian equipment hire company

TRADING REVENUE FY16:
$873.0M

SEGMENT ASSETS:
$283.0M

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 FY16:
$69.7M

SEGMENT ASSETS:
$48.1M

Media Investments

SEVEN WEST MEDIA
ASSOCIATE
SGH OWNERSHIP: 41%

INDUSTRY:
diversified media

STRATEGIC POSITION:
Australia's largest diversified media company

TRADING REVENUE FY16:
$1,709.9M

CARRYING VALUE:
$655.8M

Energy

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

SGH OWNERSHIP: 100% (SGH ENERGY) AND 22.9% (BEACH ENERGY)

NON-OPERATED 11.2% INTEREST IN A TEXAS OIL FIELD

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

TRADING REVENUE FY16:
$5.7M

SEGMENT ASSETS:
$690.7M

Other Investments

INVESTMENTS

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

UNREALISED GAINS RECOGNISED IN RESERVES AT JUNE 2016
$173.1M

PROPERTY

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

Indirect investments include holdings in unlisted property trusts Flagship and Revy

REALISED GAINS DURING THE YEAR
$37.2M

FINANCIAL PERFORMANCE

	Underlying trading performance [a]		Less: significant items [b]		Statutory results (as reported)	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Revenue	2,837.7	2,779.6	–	–	2,837.7	2,779.6
Total other income	76.2	126.6	(17.2)	(59.0)	93.4	185.6
Share of results from equity accounted investees	90.0	80.1	(1.0)	457.5	91.0	(377.4)
Impairment of equity accounted investees	–	–	0.4	99.3	(0.4)	(99.3)
Fair value movement of derivatives	–	–	(5.2)	–	5.2	–
Total expenses excluding depreciation and amortisation	(2,663.1)	(2,609.7)	19.6	399.5	(2,682.7)	(3,009.2)
Profit/(loss) before depreciation, amortisation, net finance expense and tax	**340.8**	**376.6**	**(3.4)**	**897.3**	**344.2**	**(520.7)**
Depreciation and amortisation	(38.0)	(62.1)	–	–	(38.0)	(62.1)
Profit/(loss) before net finance expense and income tax	**302.8**	**314.5**	**(3.4)**	**897.3**	**306.2**	**(582.8)**
Net finance expense	(89.2)	(83.6)	–	(16.3)	(89.2)	(67.3)
Profit/(loss) before tax	**213.6**	**230.9**	**(3.4)**	**881.0**	**217.0**	**(650.1)**
Income tax (expense)/benefit	(29.4)	(26.6)	(10.2)	(317.6)	(19.2)	291.0
Profit/(loss) for the year	**184.2**	**204.3**	**(13.6)**	**563.4**	**197.8**	**(359.1)**
Earnings per share (EPS)						
Ordinary shares						
Basic earnings per share ($)	0.56	0.59			0.60	(1.29)
Diluted earnings per share ($)	0.56	0.59			0.60	(1.29)

(a) further detail regarding the nature of significant items is contained in Note 3 of the Financial Report.

(b) 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.

The Group achieved a statutory net profit after tax for the year of $197.8 million, a $556.9 million turnaround on the $359.1 million net loss after tax incurred in FY15. The result reflects the consolidation of benefits from restructuring programs undertaken by the Group's industrial services businesses to drive profitability and operating productivity. These initiatives, when coupled with the reduced volatility in commodity prices have enabled both WesTrac Australia and WesTrac China to maintain market share.

Group underlying earnings before interest and taxation (EBIT) for the year was $302.8 million, down 4 per cent on FY15 and ahead of the Group's earnings guidance for FY16 underlying EBIT to be down 10 per cent on FY15. Furthermore, gains totalling $37.2 million were realised during the year on the Group's property assets, ahead of guidance and demonstrating the Group's ability to create value from its property portfolio.

REVENUE AND OTHER INCOME

Group revenue of $2,837.7 million was up 2 per cent on the prior year, with a 9 per cent increase in product sales partially offset by a 1 per cent reduction in product support revenue. The increase in product sales was driven by WesTrac Australia which benefited from the delivery of trucks to the Roy Hill project in Western Australia as well as practical completion on a standby power generator contract to China Construction Bank (CCB) by WesTrac China. Whilst product support revenue decreased $18.7 million on the prior year, the result is indicative of the bifurcation of WesTrac Australia's territories. NSW experienced a 6 per cent increase in product support revenue on the back of the strong activity in infrastructure and construction sectors. In WA, product support revenue fell 11 per cent as customers have looked to insource service work and reduce holdings of critical spare parts to improve their working capital, placing greater reliance on WesTrac Australia.

Revenue from sale of oil, gas and condensate decreased 73 per cent on the prior year, negatively impacted by a decline in global oil prices resulting in only minimum drilling activity performed at Bivins Ranch and the Group's Longtom well in the Gippsland Basin remaining shut-in. Despite this, the Group continues to explore commercialisation options for Longtom and remains positive on the long term oil and gas pricing outlook.

The Group's other income of $93.4 million was down 50 per cent on FY15. This is predominantly due to the income from the Groups convertible preference share in Seven West Media no longer being recognised following their early conversion in June 2015. Compensating this reduction in other income was an increase (35.3 per cent to 41.0 per cent) in the equity accounted ownership of Seven West Media reflected in the Group's share of results of equity accounted investees. Also impacting the reduction in other income for the year was the early adoption of AASB 9: *Financial Instruments* which resulted in realised gains on the Group's listed investment portfolio no longer being recorded in the income statement on disposal. Whilst total dividend income decreased 17 per cent to $36.8 million, the reduction reflects the rebalancing of the Group's listed investment portfolio rather than quality of earnings. The listed investment portfolio provided a cash yield of 6.6 per cent (2015: 5.2 per cent) or 9.4 per cent (2015: 8.3 per cent) on a post-tax basis inclusive of franking credits.

The Group's share of results of equity accounted investees of $91.0 million represented an increase of $468.4 million on the prior year. The improvement is predominantly due to the Group's share of goodwill, fleet asset impairment and restructuring and redundancy costs totalling $408.6 million and $352.6 million respectively recognised by Seven West Media and Coates Hire in the prior year. Although restructuring and redundancy costs of $32.9 million for Seven West Media and $29.7 million for Coates Hire were incurred during the year, no material impairment provisions were recognised by Seven West Media or Coates Hire in the current year, reflecting the stabilising impact of the restructuring programs actioned by management of both businesses in prior periods.

EXPENSES

The Group's expenses excluding depreciation and amortisation fell 11 per cent or $326.5 million to $2,682.7 million predominantly due to the $327.0 million non-cash impairment provisions recognised in the prior year relating to intangible assets in WesTrac China and AllightSykes and the listed portfolio.

Excluding the non-cash impairment provisions recognised in the prior year (which the Group classified as significant items), total expenses excluding depreciation and amortisation were consistent with the two per cent increase in the Group's revenue.

Materials cost of inventory sold and used in product sales and product support increased 3 per cent to $1,840.4 million, ahead of the Group's improvement in revenue during the year reflecting margin compression as the businesses competed aggressively to maintain market share.

Group employee benefits expense increased 3 per cent, predominantly due to further redundancy programs undertaken during the year at WesTrac Australia, WesTrac China and AllightSykes totalling $8.3 million offsetting the benefit of headcount reductions in the Group's industrial services businesses from prior periods. At 30 June 2016, the number of employees in WesTrac Australia and WesTrac China totalled 3,685, a 10 per cent decrease on 30 June 2015. Also impacting the increase in employee benefits expense for year was the movement in the average AUD–USD exchange rate from 0.8382 for FY15 to 0.7283 which resulted in employee benefits expense for WesTrac China increasing in Australian Dollar terms despite the reduction in US Dollar terms. Employee benefits expense was also negatively impacted by $1.3 million in short-term incentives (STIs) to key management personnel due to the achievement of the Group's net profit after tax target (NPAT) in the current year (2015: no STI due to NPAT target not met).

Depreciation and amortisation expense decreased 39 per cent, or $24.1 million predominantly referrable to WesTrac China amortisation of limited life intangibles of $9.9 million in the prior year and the Group's energy assets. No depreciation was recognised in the current year for the Group's Longtom well with production suspended due to the well remaining shut-in, while the lower depreciation on Bivins Ranch was consistent with softer revenue and the reduced drilling program.

NET FINANCE COSTS

The Group's finance income decreased by $30.5 million, or 87 per cent compared to FY15 predominantly due to $27.2 million in finance fee and interest income recognised in the prior year for the provision of debt facilities to Nexus Energy prior to its acquisition by the Group. Excluding the Nexus Energy finance fees and interest income, finance income was consistent with the prior year despite reduced deposit rates earned on the Group's cash balances.

The Group's finance costs decreased by $8.6 million or 8 per cent as the Group was successful in renegotiating more favourable margins on a key facility. The interest reduction was partially offset by an increase in interest expense for the year as a result of total debt increasing $99.0 million to close at $1,734.3 million at 30 June 2016.

INCOME TAX

Income tax expense for the year of $19.2 million was $310.2 million higher than the $291.0 million income tax benefit in FY15. The prior year's income tax position benefited from $142.3 million attributable to the Group's successful settlement of an outstanding income tax objection with the Australian Taxation Office (ATO) relating to the tax cost base of assets on formation of the Seven Group Holdings Limited in May 2010.

Increase in Group revenue

2%

Increase in product sales revenue

9%

Also impacting the current year's income tax expense was a $10.0 million tax benefit referrable to the remeasurement of historical tax exposures.

Excluding this $10.0 million tax benefit as well as the income tax impact associated with current year significant items of $0.2 million detailed below, the Group's effective tax rate of 13.8 per cent is broadly consistent with the 11.5 per cent for FY15, reflecting the positive contribution of franked dividends representing a higher proportion of the Group's taxable income.

SIGNIFICANT ITEMS

Significant items contributed a net profit after tax of $13.6 million to the Group's statutory result for the year and are largely non-cash in nature. The significant items are excluded from the Group's underlying result for the year and are summarised below:

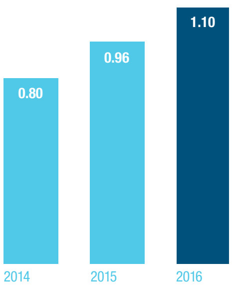
Significant items ($m)	2016	2015
Gain/(loss) on sale of other investments and mark-to-market of derivatives	4.0	(5.5)
Impairment – Seven West Media	(0.4)	14.7
Impairment – Coates Hire	–	(114.0)
Impairment – other	–	(337.4)
Restructuring, redundancy and other costs	(10.5)	(20.1)
Share of equity accounted investees' significant items	1.0	(457.5)
Other items	9.3	22.5
Significant items – EBIT	**3.4**	**(897.3)**
Net finance income	–	16.3
Tax benefit relating to ATO formation valuation settlement	–	142.3
Tax benefit relating to resolution of historical tax matters	10.0	–
Tax benefit relating to significant items	0.2	175.3
Significant items – NPAT	**13.6**	**(563.4)**
Statutory NPAT	**197.8**	**(359.1)**
NPAT excluding significant items	**184.2**	**204.3**

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

2016 Earnings summary ($m)	Total Group	WesTrac Australia	WesTrac China	Allight Sykes	Coates Hire	Media Investments	Energy	Other Investments	Other
Statutory EBIT	**306.2**	**159.9**	**29.8**	**(3.8)**	**(4.5)**	**78.4**	**(6.6)**	**75.7**	**(22.7)**
Add: unfavourable significant items									
Restructuring, redundancy and other costs	**10.5**	5.4	2.5	0.4	–	–	1.5	–	0.7
Loss on sale of investments	**9.1**	–	–	–	–	–	4.5	4.6	–
Impairment – Seven West Media	**0.4**	–	–	–	–	0.4	–	–	–
Share of equity accounted investees' significant items	**19.2**	–	–	–	9.7	9.5	–	–	–
Mark-to-market on derivatives	**0.7**	–	–	–	–	–	–	0.7	–
Less: favourable significant items									
Gain on sale of assets	**(7.7)**	–	–	–	–	–	–	(7.7)	–
Gain on sale of investments	**(0.2)**	–	–	–	–	–	–	(0.2)	–
Share of equity accounted investees' significant items	**(20.2)**	–	–	–	–	–	–	(20.2)	–
Mark-to-market on derivatives	**(5.9)**	–	(1.0)	–	–	–	(1.7)	(3.2)	–
Other items	**(9.3)**	–	–	–	–	–	–	(9.3)	–
Total significant items – EBIT	**(3.4)**	5.4	1.5	0.4	9.7	9.9	4.3	(35.3)	0.7
Segment EBIT	**302.8**	**165.3**	**31.3**	**(3.4)**	**5.2**	**88.3**	**(2.3)**	**40.4**	**(22.0)**

CASH FLOW

A focus on working capital, particularly management of inventory levels at WesTrac Australia as well as improved contract management at WesTrac China, saw the Group continue to generate positive operating cash. Net operating cash flows were up 10 per cent or $27.3 million despite the $35.8 million or 10 per cent reduction in underlying earnings before interest, taxes, depreciation and amortisation (EBITDA). The ability of the Group to convert earnings into cash remains a strength, as the operating cash flow to underlying EBITDA conversion rate of 112 per cent for the current year represents a 13 per cent increase on the 99 per cent of FY15. Operating cash flow per share of $1.10 is a 14 per cent increase on the $0.96 generated in FY15 and marked the third consecutive year of operating cash flow growth as shown in the graph below:



OPERATING CASH FLOW PER SHARE ($)

Net investing cash outflows of $98.9 million represented a $162.2 million reduction on the $261.1 million outflow for FY15. The improvement predominantly reflects no significant acquisitions or investment activity compared to the prior year, during which the Group completed its acquisition of Nexus Energy (now SGH Energy) and built 19.9 per cent stakes in Beach Energy Limited (Beach Energy) and Drillsearch Energy Limited (Drillsearch). The current year's investing cash flows included the acquisition of a further 2.9 per cent interest in Beach Energy, taking the Group's interest to 22.9 per cent at 30 June 2016. The merger between Beach Energy and Drillsearch was completed in March 2016, creating Australia's leading mid-cap oil and gas company.

Free cash flow, being net operating cash flow less net capital expenditure continues to improve, up $88.0 million or 49 per cent on FY15. Current year free cash flow per share of $0.93 represents a dividend coverage ratio of 2.3 times, demonstrating the Group's robust cash flows despite the reduction in earnings.

During the year, the Company acquired and subsequently cancelled 14.9 million shares at a cost of $72.1 million. A total of 32.4 million shares at a cost of $201.3 million or average cost of $6.22 per share have been acquired by the Company since the inception of the program in March 2014.

The current ordinary share buy-back program is due to conclude in March 2017, with remaining capacity of 16.3 million shares at 30 June 2016. The Company's capital management program has been broadened to include a buy-back of up to 10 per cent of the TELYS4 shares on issue subject to market conditions.

FINANCIAL POSITION

The Group's net assets decreased $142.2 million to $2,667.2 million with the reduction predominantly due to unfavourable fair value movements on the Group's listed investment portfolio recognised through other comprehensive income.

Trade and other receivables increased $53.5 million, with the movement predominantly timing driven by the practical completion of the previously mentioned CCB contract by WesTrac China at the end of the year. Also impacting the increase of receivables were amounts receivable from Caterpillar resulting from the return of inventory by WesTrac Australia.

The Group's early adoption of AASB 9: *Financial Instruments* resulted in the recognition of $6.2 million in provision for impairment losses on its trade debtors in line with revised doubtful debt provisioning methodologies to take into account expected credit losses on total trade debtors, not just those identified as past due.

Inventories decreased $104.4 million as WesTrac China achieved practical completion on the CCB contract during the year. Also contributing to the improvement was an inventory management program at WesTrac Australia which saw inventory turn increase to 3.3 times (2015: 2.5 times) in Western Australia and 3.7 times (2015: 2.3 times) in New South Wales.

Investments accounted for using the equity method increased $14.1 million to $998.0 million at 30 June 2016. The reduction was predominantly attributable to the positive movement in the closing share price of Seven West Media which increased to $1.06 at 30 June 2016 (30 June 2015: $1.02) offset by the Group's 46.5 per cent equity accounted share of Coates Hire's $17.8 million net loss after tax for the year.

Whilst holding a 22.9 per cent interest in Beach Energy, at 30 June 2016 the Group recognised Beach Energy as a financial asset fair valued through other comprehensive income rather than an equity accounted associate as it had no ability to exert significant influence during the year. On 20 July 2016, Mr Ryan Stokes joined the board of Beach Energy. When combined with the Group's 22.9 per cent interest, the board representation demonstrates an ability of the Group to exert significant influence over Beach Energy and accordingly, the Group will recognise its investment in Beach Energy as an equity accounted investee in the coming financial year.

Residential lots sold in Seven Hills
25

Successful resolution of tax audits

It has been a challenging 12 months for the Group, but all our leading businesses have met these challenges directly and succeeded in finding innovative solutions, preserving underlying profitability and repositioning the Group for the next phase of growth

Other financial assets decreased $166.3 million to $974.6 million, predominantly due to a $250.7 million unfavourable fair value movement on the Group's listed investment portfolio for the year. This unrealised loss on the listed investment portfolio continues to be recognised in equity, consistent with the requirements of AASB 9: *Financial Instruments*. The main accounting treatment difference to the previous AASB 139: *Financial Instruments* for the Group's listed investment portfolio is the prohibition of recycling gains through to the income statement once realised. Partially offsetting the unfavourable fair value movements were net additions to the listed investment portfolio of $45.5 million resulting from an additional 2.9 per cent interest in Beach Energy as well as additional investment and favourable fair value movements in an unlisted private equity media investment fund.

Property, plant and equipment decreased $44.3 million to $172.0 million. The reduction reflects the depreciation expense for the year of $31.2 million as well as the reclassification of the Group's land at Dianella, WA to inventory. This follows the successful redevelopment of the area from commercial to residential property, creating Seven Hills. At 30 June 2016, the Group was successful in selling 25 lots in the Seven Hills development, realising a profit of $4.7 million.

Producing and development assets increased $6.0 million, due to well drilling expenditure contributions for the Group's Bivins Ranch oil and gas asset in Texas, USA operated by Apache Corporation. Despite the weakness in global oil prices, the Group limited its contributions to the minimum drilling requirements to ensure its interest was not diluted by other joint venture operators particularly given the positive long-term oil price outlook.

Exploration and evaluation assets decreased $20.5 million, principally due to a $27.1 million net write-back of restoration provisions relating to the Crux asset, with the plug and abandonment work during the year delivered under budget. The Group continues to work constructively with joint venture operator Shell to explore options to best realise the area's value.

Intangible assets increased $29.4 million to $694.9 million, mainly due to favourable foreign exchange movements on the WesTrac China Caterpillar distribution network which is US Dollar denominated. Also impacting the increase in intangible assets for the year was the Group's continued investment in SAP HANA via the business transformative S3 Program.

Trade and other payables decreased $7.8 million to $373.0 million as WesTrac Australia and WesTrac China continue to optimise working capital.

Deferred income increased $18.9 million to $241.4 million predominantly due to machine advance payments received for Roy Hill and BHP.

Net deferred tax liabilities decreased $65.4 million due to the tax impact of the $225.5 million reduction in the market value of the Group's listed and unlisted investments (excluding Seven West Media). Also impacting the decrease in deferred tax liabilities was the release of a $10.0 million provision for tax exposures due to the resolution of audits and reviews by internal revenue authorities during the year.

Total current and non-current provisions decreased $31.9 million predominantly due to the $27.1 million net write-back of restoration provisions relating to the Crux exploration asset following the completion of plug and abandonment work during the year.

Total current and non-current interest bearing loans and borrowings increased by $99.0 million to $1,734.3 million as the Australian dollar value of WesTrac Australia's US$520.0 million US Private Placement (USPP) notes increased due to a reduction in the AUD–USD exchange rate from 0.7680 at 30 June 2015 to 0.7426 at 30 June 2016. As the USPP notes are fully hedged, the increase in carrying value was offset by an increase in the carrying value of the Group's cross currency swaps and foreign forward exchange contracts. Also contributing to the Group's increase in interest bearing loans and borrowings for the year was the drawdown of $68.0 million on the corporate syndicated facility to fund an additional 2.9 per cent interest in Beach Energy and a new $40.0 million short term facility from Caterpillar.

Shareholder equity fell $141.2 million to $2,655.4 million largely due to the unfavourable fair value movements on the Group's listed investments partially offset by a $14.4 million positive movement in the Group's foreign currency translation reserve. Also impacting the decrease in shareholder equity for the year was a $72.1 million reduction in contributed equity as a result of the Company's share buy-back reduced by a $52.5 million net increase in retained earnings attributable to the Group's current year statutory net profit after tax and ordinary and TELYS4 dividends paid.

NET DEBT AND CAPITAL MANAGEMENT

Net debt increased by $22.9 million to $1,367.5 million at 30 June 2016 as the Group utilised free cash flow and undrawn corporate debt facilities to add to its strategic position in Beach Energy, buy-back 14.9 million ordinary shares and fund capex relating to the S3 systems implementation of $31.2 million. The Group's gearing ratio increased to 34.0 per cent at 30 June 2016 (2015: 32.4 per cent), however this is largely mitigated by the Group's $621.6 million listed investment portfolio which contains substantially liquid listed equity positions.

At 30 June 2016, the Group had cash and available undrawn debt facilities totalling $1,321.8 million, consistent with the prior year. Furthermore, approximately 59 per cent (2015: 70 per cent) of the Group's drawn debt facilities is fixed with average remaining tenor of 5.3 years, slightly extended from the 5.1 years of FY15.

During the year, the Group was successful in negotiating an extension to the SGH corporate syndicated facility with $850.0 million of the original $900.0 million facility Company now maturing in February 2020.

In addition, the Company was also successful in refinancing its $431.0 million EMP debt facility with Caterpillar Financial Australia which will now mature on 15 July 2021. These transactions demonstrate the strength of the Group's relationship with its financiers and have provided increased funding tenor to the Group.

The Company acquired and subsequently cancelled 14.9 million ordinary shares at a total cost of $72.1 million or average cost of $4.83 per share during the year. Based on the Company's closing 30 June 2016 share price of $6.01, the buy-back represents a return of 24 per cent, demonstrating the Group's ability to deploy capital in a value accretive manner. At 30 June 2016, the Company had capacity to acquire a further 16.3 million ordinary shares, representing 5.8 per cent of its total shares on issue under its current share buy-back program.

The share buy-back generated a 24 per cent return for shareholders, demonstrating the Group's ability to deploy capital in a value accretive manner

The Company has also extended the capital management program to include the buy-back of up to 10 per cent of the TELYS4 shares on issue.

SGH continues to pay fully-franked dividends on both its ordinary and TELYS4 shares, with the final ordinary dividend of $0.20 per share payable in October 2016, taking the Company's full year dividend payout ratio to 71 per cent of underlying EPS (2015: 68 per cent)

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

OUTLOOK AND FUTURE PROSPECTS

Trading conditions in the mining and industrial services sector remain challenging with ongoing cost reduction initiatives including insourcing of maintenance work being undertaken by some customers. There has been a partial recovery in commodity prices since January which is positive for the industry.

Seven West Media should benefit from the broadcast of the Olympic Games to underpin its robust television market share growth in a flat to declining advertising market. The publishing advertising market is set to continue its current downward trend, however this will be partially offset by group operating costs growth including AFL (but excluding Olympics and third party commissions) at CPI. Assuming a similar television market outcome, Seven West Media FY17 EBIT is estimated to be down 15–20 per cent on FY16.

The Group has exercised patience and discipline in terms of its energy investments. It has recently secured a place on the board of Beach Energy and expects the Company's announced synergy benefits to be realised. The shortfall in East Coast gas is still expected to provide opportunities to extract value from the Group's petroleum reserves. SGH Energy, the third operating pillar for the Group, with its current and longer term gas interests is a platform to increase future shareholder returns over the longer term.

WesTrac Australia will be exposed to increased maintenance opportunities as a result of equipment sold in FY12 and FY13 coming due for overhaul. However, this will be tempered by some customer's willingness to insource or defer maintenance work and we will continue to work hard to boost the value proposition to customers to capture these opportunities. Overall product sales are anticipated to be slightly down over the next twelve months with a shift in demand to used equipment. WesTrac China is anticipated to benefit from further cost base refinements against a flat revenue outlook. Coates Hire will continue to be impacted by sustained weakness in mining infrastructure markets, particularly WA, which will be offset by strong infrastructure demand in NSW and appropriate target cost out programs.

Taking into account the above factors, the Group anticipates FY17 underlying EBIT to be consistent with the current year.

INDUSTRIAL SERVICES

WESTRAC HAS DELIVERED 47 AUTONOMOUS 240-TONNE 793F MINING TRUCKS TO FMG

"We are very pleased with the productivity improvements we are getting. We are getting around 20 per cent over and above what we would get from a regular fleet of trucks

A key part of this has been developing that relationship with Caterpillar and WesTrac because it does take a lot of work from the vendor and the dealer to do this"

Nev Power, CEO FMG The West Australian, 27 July 2016

INDUSTRIAL SERVICES

WESTRAC GROUP

The strength of our business has enabled us to continue to transform and adjust to the market conditions ensuring we continue to support our customers across the mining and construction sectors. WesTrac Group is leveraging its investment in capability and technology to transform its service offering and deliver industry leading equipment solutions that help our customers achieve more productive results.

WesTrac Group is one of the world's leading Caterpillar dealers specialising in the supply and maintenance of Caterpillar industrial equipment to the mining, construction, and transport industries of Western Australia (WA), New South Wales (NSW), the Australian Capital Territory (ACT) and the provinces of Hebei, Liaoning, Heilongjiang, Jilin, Shanxi, Inner Mongolia and the municipalities of Beijing and Tianjin in north eastern China.

In partnership with Caterpillar, the world's leading equipment manufacturing company, WesTrac Group's purpose is to provide market leading equipment solutions and support their productive operation that help build the infrastructure and provide the raw materials that power the world's economy.

The Group's strategy is to be "the customers' first choice in equipment solutions". Over the past 12 months WesTrac Group has embarked on an enterprise-wide transformation program to ensure its operating model, people, processes and systems are all geared to deliver on this commitment.

As conditions in the current economic cycle have challenged WesTrac Group's customer base, the Group has moved aggressively to focus on cost management, operational efficiency and improved customer service levels enabling more productive outcomes for our customers. The business has also committed investments in innovation and technology that will deliver value-added solutions beyond its traditional service offerings, further strengthening its long-term outlook and financial performance.

As a result of these efforts and an ongoing commitment to remain agile in order to meet the changing demands of its customers and the market, WesTrac Group's balance sheet is strong. The Group has two main sources of revenue: equipment sales (product sales), which accounted for approximately 42 per cent (2015: 37 per cent) of WesTrac Group's total sales for the FY16; and parts and service sales (product support), which accounted for 58 per cent (2015: 61 per cent) of WesTrac Group's total sales.

WesTrac Group's other revenue sources include the sale of used equipment and components, equipment rental, and equipment management services such as conditioning monitoring and training.

While capital expenditure on new equipment is down across the Group's markets and competition in the after-sales service sector is growing steadily, the Group is in a good position to leverage its robust financial position and large installed equipment base to maximise parts, service and solutions sales in the coming financial year. Furthermore, in NSW the construction sector has seen a strong uplift as the influence of record levels of road and infrastructure investment combined with high levels of residential building activity, which provides this market with renewed confidence in the outlook.

WESTRAC AUSTRALIA

WesTrac Australia delivered underlying segment EBIT of $165.3 million, down 2 per cent on $168.3 million underlying segment EBIT for FY15. This result was primarily driven by a change in product mix which has seen an increase in non-mining equipment sales, a continued decline in mining equipment sales and a reduction in total product support sales year-on-year (total equipment sales increased to $691.7 million compared to $566.4 million for FY15 while product support sales fell 5 per cent from $1,536.5 million for FY15 to $1,452.0 million for FY16).

While a number of factors contributed to the fall in revenue, primary amongst them is the ongoing focus on mine site efficiency and productivity which has compelled miners to optimise their fleet profile and provided short term opportunities to idle some production capacity. Whilst new mine expansions are likely to be limited in the near term, current production levels still represent significant increases when compared to output just five years ago, and sustaining these production rates will require significant fleets and supply chain optimisation in order to achieve projected demand for most commodities.

While WesTrac Australia remains well-positioned to capitalise on this opportunity through its parts and service business, the competition in the Product Support market has been strong and there is a continuing trend towards insourcing of some maintenance activities. In addition, the ongoing focus on supply chain costs is compelling customers to de-bundle the traditional WesTrac/Caterpillar value proposition, compressing margins and increasing demand for risk sharing arrangements (such as component life guarantees) previously unseen in the industry.

In response to these challenges, WesTrac Australia has embarked on an ambitious transformation project which is delivering simplified, standardised and scalable business solutions (the S3 Program) that will enable the business to continue meeting new market demands well into the future. The focus is clear: continue to manage costs and adjust the businesses operating model to maximise efficiency; prioritise investments in technology and innovation which can deliver a competitive advantage; and utilise data and analytics to provide value-added solutions that will redefine the value WesTrac Australia provides its customers beyond the iron.

Manage Costs and Optimise the Operating Model

Changes to the Executive Leadership team announced in 2014 have now been embedded and the business continues to adapt the structure and skills of its workforce to better reflect market demand. Restructuring and redundancy costs were $5.4 million in FY16 with a total headcount reduction of 34 per cent, or 1,424 full time employees, in the past three years. Recent changes in operating models have also seen the amalgamation of the NSW Underground and Surface Mining sales teams and the consolidation of Product Support operations under separate state based structures.

As customers demand changes in response to the shifting economic landscape in Australia, WesTrac Australia continues to review its operations to ensure it is best placed to respond to their requirements. To this end, the business consolidated some of its regional branches over the course of FY15 in order to optimise its cost structures and maintain an appropriate operational footprint. The decision was also made to invest in strategic growth corridors such as south-western Sydney and metropolitan Perth to meet growing demand and ensure the business has adequate capacity where required.

These changes combined with an ongoing focus on improving working capital management, minimising overheads and controlling costs have helped to strengthen WesTrac Australia's financial position and ensure the business is in a robust position to manage through this extended economic cycle.

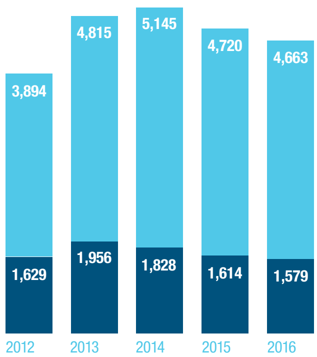
WesTrac Australia ($m)	2016	2015	% Change
Product sales	691.7	566.4	22
Product support	1,452.0	1,536.5	(5)
Other revenue and other income	26.2	48.0	(45)
Total revenue and other income	**2,169.9**	**2,150.9**	**1**
Segment EBIT	165.3	168.3	(2)
Segment EBIT margin	7.6%	7.8%	(3)

INDUSTRIAL SERVICES

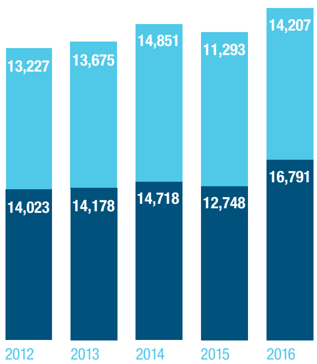
Prioritising Investments in Technology and Innovation

Central to WesTrac Australia's future strategy is an ongoing focus on the customer and how WesTrac Australia can support improvements in their productivity and efficiency.

Primary amongst the business investments in technology is the $42.5 million spent to date on implementing the S3 Program. S3 stands for simplification, standardisation and scalability and has provided WesTrac Australia with the opportunity to redesign its business model and support structures to deliver a more consistent, quality and cost-focussed experience for its customers. The Program is split into two major stages with Phase 1 implemented over the course of FY16. SAP HANA has now been deployed across WesTrac Australia's core finance, HR and strategic sourcing teams and to date has delivered the business $5.0 million in realised benefits.



EQUIPMENT POPULATION MINING
NSW Mining WA Mining



EQUIPMENT POPULATION CONSTRUCTION
NSW Mining WA Mining

	Value of parts inventory ($m)	# of lines per day packed and shipped (average)	Delivered on-time (%)
2016	61.8	7,801	96
2011	39.0	3,867	89

Planning for Phase 2 of the Program is under way and will drive process and system change into WesTrac Australia's service, parts and sales functions, including centralising dispatch for customers, providing mobile field applications to improve technician and network efficiency as well as other applications designed to increase automation and enhance the use of data and analytics to improve customer outcomes.

WesTrac Australia continues to focus on optimising its parts business. With the successful implementation of the state-of-the-art Goods-to-Person warehouse system in Perth in 2014 and ongoing improvements in supply chain management, the business has managed to increase its parts throughput by two per cent, moving over five million lines of stock in FY16. WesTrac Australia was also able to partner with Caterpillar in FY16 on a Parts Inventory Collaboration project, which has reduced on-site inventory levels, whilst simultaneously improving WesTrac Australia's breadth of inventory holdings, enabling the business to fill a larger proportion of customer orders from in store without increasing working capital.

These improvement projects will continue to ensure WesTrac Australia can provide real value-added solutions to its customers through their parts and logistics operations, allowing them to reduce their on-site inventory levels, better plan and execute their maintenance programs and access just in time parts deliveries via WesTrac Australia's world class parts and logistics services.

As the business transforms the processes and systems it uses to deliver products and services to customers, WesTrac Australia is also embarking on a digital customer experience transformation designed to improve the channels and means by which customers can interact and transact with the dealership. While traditional bricks and mortar branches will remain as key points of sale, WesTrac Australia together with Caterpillar is recognising the need to provide customers with self-service capabilities and access to digital channels through which they can research products and services, seek advice and support and purchase equipment, parts and service as and when they require. This project will launch early in the new financial year and will not only place WesTrac Australia amongst the leading Caterpillar dealers globally from an eBusiness perspective, but will also play a key role in the evolution of the business into the First Choice in Equipment Solutions.

Utilise Data and Analytics to Provide Value-Added Solutions

One of WesTrac Australia's leading strategies for improving customer loyalty and growing profit is the utilisation of data and analytics to deliver insights that will help customers optimise their fleet performance, maximise productivity and minimise their costs. In this way, data-enabled solutions will not only allow WesTrac Australia to be more effective and efficient, they will also lead the way in redefining the value WesTrac Australia can provide equipment owners and ensure that the Caterpillar/Dealer business model remains relevant in the long term.

Thanks to WesTrac Australia's investment in the SAP HANA platform as part of the S3 Program, the business is building a 360-degree view of its customers, giving WesTrac Australia the ability to deploy tailored solutions at an individual customer level based on real-time analytics. With this new found ability to harness Enterprise Data, WesTrac Australia will build on its already strong reputation for providing industry leading technology solutions that help customers manage and prolong the life of their equipment. Furthermore, the transition to SAP HANA will also drive an improvement in technical productivity and allow better integration with WesTrac Australia's key mining customers, the majority of which are already on the SAP HANA platform.

As well as taking the global lead on the implementation of autonomous haulage solutions (AHS) in partnership with Caterpillar, WesTrac Australia is also working to deploy advanced condition and remote equipment monitoring across its equipment range by fitting all new construction machines with a VisionLink black box to ensure it can monitor equipment and provide real time support and advice to maximise customer loyalty and grow revenue. This strategy of building customer connectivity in order to identify and secure future revenue streams will not only improve the levels of service and customer experience WesTrac Australia delivers to the market, it will also ensure the businesses long term success and defend its position as one of Caterpillar's leading global dealerships.

WESTRAC CHINA

WesTrac China delivered segment EBIT of $31.3 million, an increase of 33 per cent on the segment EBIT of $23.5 million in the prior year as the company focused on driving cost efficiencies and converting new revenue opportunities in the current market. Despite the reduction in revenue WesTrac China has been able to drive efficiencies that deliver the profit result. While the Chinese economy is facing continued challenges in its mining, oil and gas sectors and the demand for construction equipment remains low with the hydraulic excavator (HEX) market down 32 per cent year-on-year, WesTrac China has managed to maintain profitable market leadership and achieve a strong operating cash flow for the FY16 period.

Over the course of the year, cost reduction programs such as a workforce resizing of approximately 24 per cent and the relocation and rationalisation of some regional branches were undertaken to deliver continued savings and ensure the business was structured appropriately to suit the market. Despite these challenges, the business managed to improve market share by two per cent in the all-important EXD class of HEX to and grew product support sales by 29 per cent to $177.5 million.

In the State Owned Enterprises (SOE) sector, a more cautious approach to capital expenditure is the new normal, especially in the state's mining sector which is further compounding WesTrac China's performance. Notwithstanding this, China's 13th Five Year Plan, launched at the recent People's Congress in March, further demonstrated the country's commitment to transform its economy and provided for another round of significant infrastructure and urbanisation programs. Together with strategic initiatives such as the "One Belt One Road" program and key regional economic projects such as the new Beijing Airport and the Beijing, Tianjin, Hebei integration, these infrastructure commitments have contributed to the market showing early signs of stabilisation in the first half of 2016. Furthermore, these developments will benefit WesTrac China over the next five years as it continues to focus on delivering quality and improving the value it offers to win customers.

The Caterpillar product continues to provide a significant differentiator in the Chinese market, particularly as the market matures and the value proposition presents a competitive advantage. Building on Caterpillar's brand strength and broad product portfolio, the business recently entered into an OEM agreement which enables it to sell customised equipment, such as amphibious excavators, frontless excavators and crawler undercarriage, utilising Caterpillar's hydraulic power generation unit. The initial results of this project have been very encouraging and demonstrated WesTrac China's innovative approach to growing market share, as well as the unique advantage of the WesTrac/Caterpillar relationship in delivering specific and tailored solutions to the Chinese market.

Chinese customers place a high value on suppliers who can deliver a quality, cost effective product or service and WesTrac China is well placed to deliver on this requirement. The WesTrac Tianjin Equipment Rebuild Centre (WERC) has maintained a consistent reputation in FY16 delivering high utilisation and support for long-wall mining equipment and has been formally recognised for doing so. In addition, WesTrac China's rebuild capabilities continue to support traditional mining operations, large engine rebuild and Armoured Face Conveyor (AFC) businesses across the region.

China's fast developing mobile and online economy is also creating new opportunities for WesTrac China as the demand for cloud computing and large scale data centres increases the need for high performing, reliable back-up power generation solutions. This standby power demand supports critical infrastructure applications such as China's financial services industry and WesTrac China continues to grow its footprint in this highly valuable segment.

WesTrac China ($m)	2016	2015	% Change
Product sales	421.2	411.1	2
Product support	177.5	137.2	29
Other revenue and other income	8.5	15.5	(45)
Total revenue and other income	**607.2**	**563.8**	**8**
Segment EBIT	31.3	23.5	33
Segment EBIT margin	5.2%	4.2%	24

From a customer perspective, WesTrac China is committed to strengthening its key relationships and maximising the contact it has with customers to ensure it can leverage every opportunity available to it. To this end the business has recently deployed a mobility based CRM system which enables real time monitoring and management of customers as well as tracking of call response and resolution times. A branch based service excellence program with flat rate service has also been implemented to drive improvements in customer experience. These are just two examples of where WesTrac China is prioritising the service delivered to customers in an effort to improve loyalty and drive repeat and recommended business in an increasingly customer-centred, service-oriented economy.

As the business continues to move forward, WesTrac China maintains its focus on strengthening cash flow, improving its balance sheet and maintaining a competitive cost structure that will enable it to capture the many growth opportunities in China's used equipment, power systems, earth moving and paving machinery industries.

INDUSTRIAL SERVICES

COATES HIRE FY16 REVENUE END MARKET SPLIT

Engineering	26%
Residential	5%
Non-residential	15%
Government	6%
Commercial manufacturing	12%
Events	3%
Industrial maintenance	7%
Mining & resources (development)	9%
Mining & resources (production)	10%
Oil & gas	7%

COATES HIRE

Coates Hire is Australia's largest equipment solutions provider offering over 20 categories of general hire and specialist equipment to customers across a range of industries including mining, resources, construction, infrastructure and major events. Coates Hire has operations across Australia and in Indonesia.

Coates Hire full year underlying EBIT of $97.3 million is seven per cent lower than the prior year reflecting the pressure on price and margin. In addition, a disciplined debt management plan was implemented for senior debt, supporting $75 million in principal being repaid in FY16.

With significant changes in the external environment, Coates Hire has been on a journey of transformation and maintains its leadership position in the hire and equipment solutions industry. Over the last three years a number of changes have been put in place to move Coates Hire to a more agile, sustainable and profitable position.

During the financial year significant focus was placed on right-sizing headcount and the cost base. This involved redundancies of approximately 200 employees through voluntary and compulsory redundancy programs, and the closure of 14 branches in areas of low demand or project completions. A strategic program to streamline procurement processes and reduce operating expenditure continues to be implemented, resulting in the reduction of hundreds of suppliers, significantly fewer with preferred supplier status, and delivering an annualised equivalent of $8.0 million in savings, with more savings to follow as the program is completed in 2017.

Fleet productivity and accelerated disposals were a significant area for the business with over $268.0 million original cost of assets disposed of across the county; the redeployment of $50.0 million of fleet from the West to the Eastern Seaboard; and the implementation of a number of key fleet productivity measures. The strategy has involved moving the fleet to where there is strong demand and there is continued growth in this demand related to the east coast infrastructure activity.

During FY16, Coates Hire acquired 3,700 access and truck assets from Force Equipment Ltd. (in Administration) to become the biggest equipment supplier in the access product category – now offering over 10,000 access assets to customers. This optimises future access fleet capital investment and aligns the remaining effective asset life with the current demand cycle, reducing the risk of equipment oversupply in the future.

Early in the financial year the business was restructured to delayer the levels of management, align the sales team through centralising the reporting structure, and implementing new structures for support functions. Through this change Coates Hire strengthened key accounts and product teams with additional National Key Account Managers and National Product Managers appointed.

Looking forward, Coates Hire will build on its strengths as the market leader to move from a period of consolidation to a more agile approach to the market. The next phase of the strategy includes a new lens on customer experience and outstanding customer service, growth of the specialist business and increased discipline on pricing and cost.

We recently announced that Michael Byrne resigned. Michael was employed to improve productivity and make Coates Hire more agile given the significant industry change following the resources investment boom; and he successfully implemented a number of initiatives in this regard. Importantly, and as a tribute to the strength of the executive team at Coates Hire, Jeff Fraser, the existing CFO has been chosen to replace Michael.

Coates Hire will continue to focus on growing the business whilst competing vigorously to win market share through providing innovative solutions for their customers' business challenges.

Coates Hire ($m)	2016	2015	% Change
Revenue and other income	873.0	919.3	(5)
Gross profit	514.6	557.0	(8)
Underlying EBITDA	266.7	309.5	(14)
Underlying EBIT	97.3	104.4	(7)
Statutory NPAT	(17.8)	(435.9)	96

Segment result ($m)	2016	2015	% Change
Share of Coates underlying NPAT	3.7	5.9	(37)
Management fee	1.5	2.0	(25)
Segment result	**5.2**	**7.9**	**(34)**

The company anticipates growth from its specialist and general hire businesses and specifically growth in the area of propping, shoring, pumps and fluid management equipment, as well as increased demand for design and engineering, certification and installation services.

Innovation and agility coupled with a national footprint, disciplined business management and the company's management depth of experience is the key to Coates Hire's success in the challenging market.

ALLIGHTSYKES

AllightSykes provides lighting, dewatering, and power solutions to a wide range of mining, construction, and industrial customers in Australia and internationally. The company is the market leader in its key segments and develops customer specific engineered solutions. It also distributes innovative product solutions for these markets out of three primary facilities.

During FY16 Paul Thompson was appointed as the AllightSykes CEO. Mr Thompson was previously the COO of the Caterpillar dealership in Taiwan and has extensive experience working with mining and industrial services customers.

AllightSykes has a diverse range of products and markets, which enables the business to meet the ongoing challenges within the markets it operates. However, the domestic market conditions have not been without their challenges across AllightSykes' core product offering. The customers with exposure to mining have been increasingly feeling the effects of the lower commodity prices and pared back the demand for product.

As a consequence, the aftermarket proportion of the business continues to grow, as parked-up assets are consumed or retired, and increased maintenance is required to support ageing assets whilst production output increases.

AllightSykes reported FY16 trading revenue of $69.8 million on a standalone basis, down 16 per cent due to the contraction in the mining and rental industries both domestically and internationally.

The business remains focused on driving internal efficiencies in the face of a market that lacked demand depth, primarily from a forward-looking perspective. AllightSykes continues to develop strong partnerships with global OEMs to develop new channels to access global markets.

The challenging conditions have necessitated a deeper understanding of customer requirements which has led to a number of joint developments that offer bespoke solutions. During the year, AllightSykes received a runner-up safety award from one of the "big three miners" and the Water division secured a supply arrangement with a major international water company. The supply is for proprietary componentry for the customer's global operations.

The product value proposition has been strengthened through the introduction of industry leading technology into the lighting business, both as new build and as retrofit options. FY17 will see ongoing efforts in delivering a strategic product cost down program that ensures the cost base of the locally assembled products remain competitive with offshore competitors.

AllightSykes ($m)	2016	2015	% Change
Product sales	40.9	52.6	(22)
Product support	28.8	29.9	(4)
Other revenue and other income	0.1	0.3	(67)
Total revenue and other income	**69.8**	**82.8**	**(16)**
Segment EBIT	(3.4)	(6.4)	47
Segment EBIT margin	(8.3)%	(12.2)%	32

MEDIA INVESTMENTS

Ten years of
TV ratings dominance

RATINGS

Largest ever lead in ratings in total people in every key demographic achieved in the six months to June 2016

CONTENT

Seven West Media creates and owns the best content and delivers it to the widest multi-platform audience in Australia

Seven West Media leads the market in content production and audience delivery

SEVEN WEST MEDIA – MEDIA AND CONTENT

Seven West Media Limited is Australia's leading multi-platform media company with a market-leading presence in television, content production, digital, magazine and newspaper publishing. Seven Group Holdings owns a 41.0 per cent interest in Seven West Media. The company is the home to many of Australia's best performing media businesses – Seven Network, Pacific, The West Australian, Yahoo 7 and Presto.

As the media landscape continues to transform, Seven West Media is demonstrating its agility in adapting to future consumption habits and monetising the audiences that follow the leading brands. Content is at the core of Seven West Media's businesses, which will always be fundamental, however, the landscape evolves.

Seven West Media's strategic focus is on maintaining leadership, delivering content anywhere, anytime and on any device as well as growing the production of owned content and expanding into international markets. At the same time, the company continues to explore new ways to redefine the operating model, cutting costs by over $60 million over the last three years, while continuing to deliver a strong operational performance, building on its leadership position.

The Seven Network has maintained strong momentum through the year, marking up a decade of dominance with its 10th consecutive year of ratings leadership. In the 2016 calendar year to date, Seven delivered its largest ratings lead ever over its nearest rival, testament to the network's ability to develop and promote engaging content that attracts Australia's largest audiences, not only through broadcast, but also through digital channels.

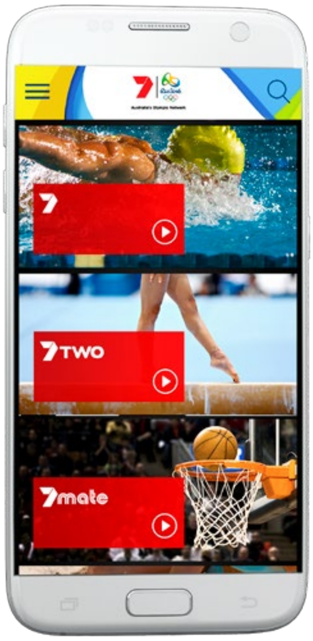
The Seven Network delivered a 38.9 per cent revenue share of the free-to-air television market for the 2016 financial year.

Softer audience trends for linear viewing across the FTA market impacted market revenue with Seven's advertising revenue down 5.8 per cent in the period. Seven is tackling these challenges with its strategy to increasingly make its content available anytime, on any device and where it can be incrementally monetised.

As part of this strategy, the Seven Network delivered a major milestone in the year with an Australian first, the launch of live streaming of all of the network's broadcast channels. This was launched with the Melbourne Cup, and recorded over 400,000 concurrent live streams through the event. This success has been built on and exceeded with Seven's coverage of the Australian Open, which recorded over 7.4 million live streams through the event. With the Olympics firmly in its sights, the Seven Network is set to exclusively deliver the most comprehensive, technologically advanced, multi-platform coverage to all Australians on any communications device.

The Seven Network continues to make a strong commitment to live sport, holding multi-year rights to premium events, including the Olympic Games, the 2018 Commonwealth Games, Australian Football League, the Melbourne Spring Carnival, including the Melbourne Cup, and all major tennis tournaments in Australia, including the Australian Open and the Davis Cup.

Seven Productions growth trajectory continued unabated with its 5th year of double digit revenue growth. International demand for Seven's finished programs and the third party production capabilities of Seven, 7Wonder and 7Beyond continue to be strong. Finished program sales and third party productions now represent approximately seven per cent of Seven's earnings.



The West Australian newspaper is the dominant news publication in the West Australian market, reaching over 70 per cent of Western Australians over the age of 14 every day. Through the integration of The West and Seven Perth, the business is efficiently delivering the highest quality news coverage with the latest breaking news and relevant local stories through print and digital editorial, TV and short form video.

The digital transformation strategy is gaining pace with digital editions of The West increasing strongly in the year. Softer economic conditions and structural challenges continue to place pressure on revenue. However, The West is developing new revenue streams that target specific content verticals in areas it believes can better monetise its loyal audience. In the face of some of the top line revenue challenges, The West has continued to deliver market leading margins with its focus on costs, down 10.5 per cent in the period. The acquisition of The Sunday Times will provide further opportunities for The West to grow.

Pacific has a combined audience of approximately 24.2 million consumers per month via print, social and digital platforms – an increase of 90 per cent year-on-year. Leveraging its leading brands including, Better Homes and Gardens, marie claire, New Idea, Home Beautiful, that's life! and Who with their loyal audiences is key to the transformation of Pacific which is pursuing its strategy to drive deeper engagement and monetisation through print, digital, events, eCommerce and digital services. The company has invested in several digital initiatives in this year as part of this strategy, including the launch of BEAUTYcrew, Foodiful, Allrecipes, StyledBy marie claire and mywedding. Advertising conditions have been challenging for print and circulation has also been under pressure, which has resulted in 8.6 per cent revenue decline in the year. Despite the investment in new initiatives, the business has reduced costs by 3.8 per cent in the year.

Media investments ($m)	2016	2015	% Change
Share of associates NPAT: – Seven West Media	85.0	66.0	29
Other income: – Other investment income	3.3	37.5	(91)
Segment EBIT	**88.3**	**103.5**	**(15)**

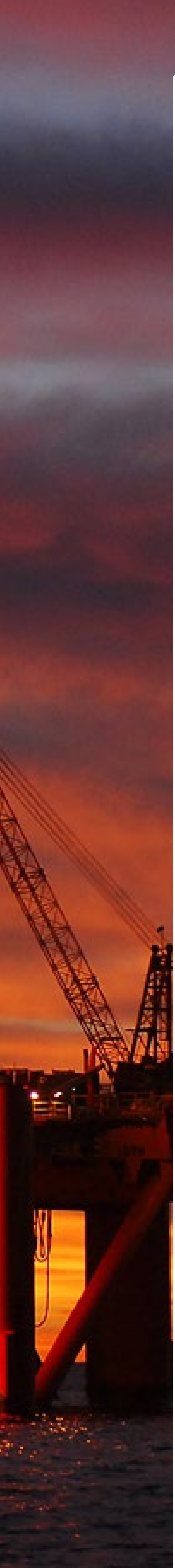
These new initiatives are expected to deliver a meaningful contribution in FY17.

Yahoo7 is driving new revenue streams through its MAVENS (Mobile Video Native Social) strategy, particularly through strong demand from third party publishers for Yahoo's native advertising technology. Strong growth in this area (of over 100%) has largely offset softness in the traditional display advertising business. Combined with a strong approach to cost management, Yahoo7 has limited the impact to current year earnings (EBIT down 4 per cent on prior year) while setting itself to capitalise on growth markets going forward.

Seven West Media continues to invest and establish new businesses. Red Live business, which launched in 2015 has recorded a stellar performance with key marquee events including the Royal Edinburgh Military Tattoo, which sold over 150,000 tickets for the five shows over three days. Seven West Media has made further investments in adjacent businesses that are disrupting existing business models, such as HealthEngine, Nabo, SocietyOne, Airtasker, Newzulu and Startsat60.com.au – all of which have the potential to benefit significantly from Seven West Media's considerable market reach. These investments are being made while effectively managing the balance sheet (net debt maintained at 2x EBITDA) to ensure the business has sufficient flexibility in the short to medium term.

ENERGY

SGH is strengthening the Energy business for growth in Australian and International markets



The Group's view of longer term growth prospects in the Australian East Coast gas market and Asian energy markets is reinforced by regulator forecasts of domestic gas demand and the start-up and operation of four LNG trains in Queensland for export into Asian demand centres.

Energy ($m)	2016	2015	% Change
Sale of gas, oil and condensate	5.7	21.4	(73)
Expenses	(8.2)	(11.7)	30
Segment EBITDA	**0.7**	**11.6**	**(94)**
Depreciation and amortisation	(3.0)	(10.5)	71
Segment EBIT	**(2.3)**	**1.1**	**<(100)**

Throughout the integration of the energy group into the business in 2015, SGH has applied disciplined capital allocation and significant reduction in corporate overheads to manage earnings through the cyclical downturn in commodity prices. Through constantly challenging the unit operating costs, the business is and will continue to be positioned to withstand the low-cycle and then maximise the benefit of an up-cycle. In parallel to the management of costs we have maintained a determined focus on the strategic activities to realise value on the assets in the portfolio.

The Longtom field (100 per cent SGH Energy interest) in the Gippsland Basin, with both developed and undeveloped conventional resources and existing infrastructure in place, is ideally positioned to supply the demand for gas along the Australian East Coast. Plans for the start-up of the field and further development of the proven reservoirs across the field are progressing, with keen interest from both industrial and retail gas buyers in the Longtom supply. The Gemfish exploration prospect on the Longtom production permit remains an upside opportunity for exploitation with future Longtom development.

The merging of the Beach Energy and Drillsearch companies in February 2016 provides more efficient and lower cost operations and development of quality Cooper Basin assets that support the East Coast market. This strategic SGH Energy investment provides exposure to a successful and experienced team of onshore operators with a strengthened balance sheet for significant growth capacity.

Activity at the Bivins Ranch producing asset (11.2 per cent SGH Energy working interest) operated by Apache Corporation in the Texas Panhandle region of the USA has been prudently managed in the prevailing market conditions. Production continues, while drilling activity has been scaled back to the minimum lease commitments, however, exciting results have come from the recent Quanah 95-1H well drilled in the upper portion of the Canyon Lime. The 30-day rate averaged 1,660 boe per day, with ongoing assessment of the potential of this new zone. Future capital investment includes an enhanced oil recovery project for existing vertical well producers and horizontal well development across the southern blocks of the Ranch.

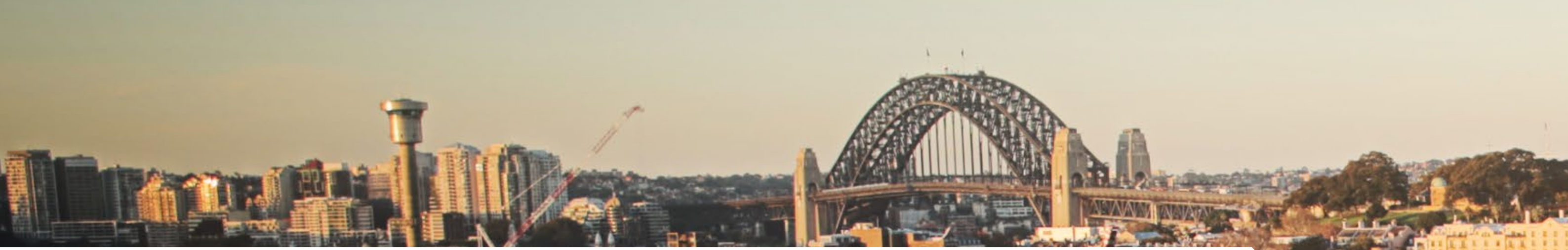
Development planning for the Crux field (15 per cent SGH Energy interest) in the Browse Basin off the coast of North-West Australia continues by the operator (Shell Australia Pty Ltd), with 2016 seeing a ramp up in commercial discussions as potential development concepts are further defined. The proximity of Crux to surrounding developments provides the potential for future brownfield tie-in and future LNG supply at a time when an LNG demand gap is predicted to increase. The Auriga West exploration well was drilled on the Crux retention lease permit in a location approximately 3 km from the Crux field. Hydrocarbons were discovered, and while technical evaluation is ongoing, it is anticipated that this resource can provide tie-back volumes to the Crux project.

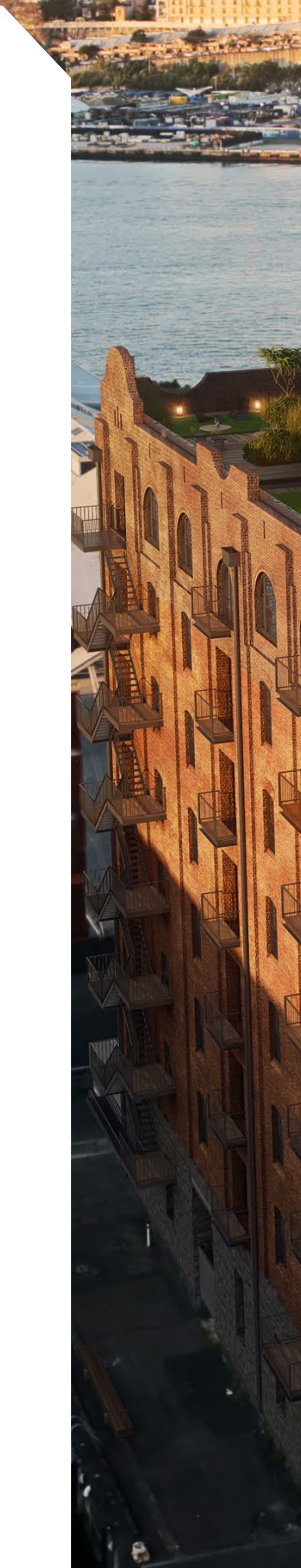
Also located in the Browse Basin is the exploration permit WA377P (100 per cent SGH Energy interest). Geotechnical assessment is continuing to define the larger prospect around the earlier discovery of gas and condensate at the Echuca Shoals well. This prospect is ideally located for potential future development within 50 km of the surrounding Browse Basin developments at Icthys and Prelude.

The rationalised business has a greater resilience to the current market conditions and a capability to respond quickly to change.

The opportunity for growth through acquisition is likely to increase through 2016 as more assets and businesses succumb to the roll-off of price hedges and debt redeterminations. SGH Energy remains vigilant to quality opportunities that are consistent with the strategic plans for the Energy business and create shareholder value.

OTHER INVESTMENTS





Other investments comprise the Group's listed investment portfolio as well as direct and indirect property holdings through unlisted trusts. The listed investment portfolio excludes the Group's strategic holding in Beach Energy Limited which has been included in the Energy segment with effect from 1 July 2015 and comparatives have been restated accordingly.

The listed investment portfolio provided a gross dividend yield of 5.8 per cent for the Group. Dividend income was impacted by dividend reductions by some of the underlying investments.

The Group has direct property holdings which include the Kings Square site and former Seven Network's Dianella studio, both located in Perth as well as exposure to holdings through unlisted property trusts. During the year, the Group recognised revenue of $11.8 million relating to the sale of 25 lots following the completion of the first stage of the Seven Hills residential development in Perth which yield a profit of $4.7 million for the year with further sales expected over the following two years.

Other investments underlying segment EBIT was $40.4 million, nine per cent ahead of the previous year's $37.1 million.

The Group also recognised a gain of $14.1 million relating to the development of Kings Square 4 which has been included within significant items for the year.

The Group's indirect holdings in unlisted property trusts include a 25 per cent stake in Revy Investments Trust (Revy) and a 47.3 per cent stake in Flagship.

Other investments ($m)	2016	2015	% Change
Revenue	11.8	–	–
Other income	36.5	41.5	(12)
Share of results from equity accounted investees	1.5	5.0	(70)
Total revenue and other income	**49.8**	**46.5**	**7**
Expenses	(9.2)	(6.5)	(42)
Segment EBITDA	**40.6**	**40.0**	**2**
Depreciation and amortisation	(0.2)	(2.9)	93
Segment EBIT	**40.4**	**37.1**	**9**

Sale of Revy building in Pyrmont NSW subject to FIRB approval. Anticipated share of profit of ~$28m expected to be recognised in FY17

These and other unlisted property trust investments are accounted for using the equity method. During the year, Revy completed the sale of a building in Pyrmont for which the Group recognised its proportionate share of the profit on the transaction of $13.8 million within significant items. This company has also entered into sale contracts relating to the property in Pyrmont where Seven West Media is currently headquartered and completion is subject to Foreign Investment Review Board approval which had not been received by year end.

The Group's listed investment portfolio as at the end of June 2016 totaled $621.6 million (excluding the Group's strategic investments in Seven West Media Limited, Prime Media Group Limited and Beach Energy Limited). The listed portfolio is a store of liquidity, allowing the Group to fund potential opportunities when they become available.

The Group's investment portfolio yielded a (8.3) per cent on a total return pre-tax basis (capturing the portfolio's mark-to-market movement, any gain or loss on disposal and dividend income combined), under-performing the ASX/200 Index which returned 2.2 per cent. The portfolio was impacted by negative mark-to-market movements given lower underlying share prices at year end. Despite this, at year end the listed portfolio included unrealised gains of $173.1 million on the original cost of the underlying shares.

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

RISK FACTORS ASSOCIATED WITH SGH

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

RISK MANAGEMENT

The Company recognises that the management of business and economic risk is an integral part of its operations and has established policies and procedures for the oversight and management of material business risks, including the establishment of the Audit & Risk Committee.

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

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

SGH has various risk management policies and procedures in place to enable the identification, assessment and mitigation of risks that arise through its activities. These include tender, project, interest rate, foreign exchange and credit risks. For further information in relation to SGH's risk management framework, refer to pages 49 to 50 of the Corporate Governance Statement in the Annual Report.

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

MATERIAL BUSINESS RISKS

Investment risks

Investment opportunities

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

Minority investment risk

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

Free float

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

Investment portfolio

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

Coates Hire joint venture risk

SGH is exposed to risks associated with its investment in Coates Hire. Carlyle and SGH each hold a ~47 per cent economic interest in Coates Hire. Under the co-investment arrangements with Carlyle, SGH (via its wholly owned subsidiary National Hire Group Limited) or Carlyle may seek to sell their investment in Coates Hire in the future.

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

Financial risks

Interest rate, liquidity and bank default risk

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

Foreign exchange

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

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

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

Tax risk

The Company and its wholly owned subsidiaries may be subject to reviews by taxation authorities from time to time in the ordinary course of business. These reviews may result in the taxation authorities taking a different view on the tax treatment of particular transactions from that of the Company and its wholly owned subsidiaries, which could lead to additional tax liabilities. SGH proactively manages this risk through the use of taxation advisers and working closely with taxation authorities.

Operational risks

Dependence on Caterpillar

WesTrac Group is dependent on Caterpillar to maintain its authorisation as the authorised dealer of Caterpillar equipment and parts in its Western Australia, New South Wales/ACT and North Eastern China Service Territories. WesTrac Group's predecessor companies have been associated with Caterpillar since 1925 and WesTrac's association with Caterpillar has been since 1990.

WesTrac Group has maintained a strong relationship with Caterpillar and although WesTrac Group expects this relationship to continue, as is customary in dealer agreements with Caterpillar, the dealer agreements with Caterpillar can be terminated by either party upon 90-day notice at any time. The dealer agreements also contain provisions for automatic or accelerated termination in certain circumstances, such as material breach, insolvency events, and changes in control without Caterpillar consent, and are not exclusive. The Caterpillar dealer agreements are not, however, subject to periodic renewal requirements and are perpetual in nature (subject to the termination right noted above). In the event Caterpillar terminates or appoints another dealer or deals directly in the territories in which WesTrac Group operates, it would have a material adverse effect on WesTrac Group's business, financial condition and results of operations as well as trigger accelerated prepayments across the SGH Group's key funding arrangements.

WesTrac Group is dependent on Caterpillar for timely supply of equipment and parts from their global manufacturing factories and distribution warehouses. During periods of intense demand or in the event of disruption to Caterpillar's business there may be delays in the supply of equipment and parts to WesTrac Group. This has not in the past proven to be an impediment to WesTrac Group. In the event that Caterpillar is unable to supply its products in the quantities and timeframes required by WesTrac Group's customers, it may have a material adverse effect on WesTrac Group's business, financial condition and results of operations. WesTrac Group is also dependent on Caterpillar to maintain product development and innovation to ensure that it has a quality product offering for its customers.

Decline in demand from mining or construction industries

WesTrac Group's customer base consists primarily of companies in the mining and civil construction industries. Demand for WesTrac Group's products and services in these industries is driven by the volume of earth and material moved. This is in turn driven by demand for commodities, stripping ratios in mining, demand for construction materials and the number and scale of infrastructure projects.

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

Increased competition from other equipment suppliers

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

Customer contracts

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

Variation in pricing

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

Media

The company is exposed to the Media industry through its minority investment in Seven West Media Limited and Prime Media Group Limited. The industry is currently undergoing structural change with viewer fragmentation in television as well as reductions in magazine and newspaper readership resulting in declines in advertising markets across all three platforms. Company earnings could also be negatively impacted by increased sporting broadcast rights.

Further television spectrum licences are currently held in perpetuity which means that the book value attributed to licences has an indefinite life.

Should the current licence model move to a non-perpetual system the carrying value attributed to licences may need to be amortised, which could significantly impact investee company earnings.

Safety and environment

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

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

Volatility in oil and gas prices

The Energy segment relies on the production and sale of oil and gas products (including LNG) to a variety of buyers under a range of short-term and long-term contracts some of which are expected to be oil-linked. A downward movement in oil prices could have a significant effect on SGH's performance and future prospects. Crude oil prices are affected by numerous factors beyond SGH's control and have fluctuated widely historically. SGH has the option of entering into commodity crude oil price swap and option contracts to manage its oil price risk, and continually monitors oil price volatility to assess the need for commodity price hedging. During 2016 due to the infancy of these operations and limited production, and at the time of publishing this report, SGH did not have any hedging positions in place.

Project development risk

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

System implementation risk

WesTrac Australia is implementing a new enterprise resource planning (ERP) system which requires changes to core business processes, system interfaces and the way the company interacts with its key customers and employees. While change management disciplines and practices have been put in place, there are inherent risks in any such system implementation and supporting business process redesign.

Oil and gas reserves

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

Exploration risk

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

Environmental and safety risks and social licence to operate

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

Joint venture arrangements

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

Under SGH's risk framework, the Group has identified investment, financial and operational risks which it manages and mitigates. More detail concerning these risks, as well as the Company's sustainable business practices, is set out in the Operating and Financial Review of this Annual Report on pages 32 to 35. For more information on the Company's risk management framework refer to pages 49 to 50 of the Corporate Governance Statement of this Annual Report.

WESTRAC GROUP

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

ENVIRONMENT

Caring for the environment is central to how WesTrac Group conducts business. WesTrac Group achieves its environmental objectives by:

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

Sustainability begins within WesTrac Group's own operations. At its facilities, WesTrac Group has established high performance standards for the environment, health and safety and has adopted Caterpillar's Production System (CPS) methodology. CPS is the order-to-delivery process that Caterpillar implemented on an enterprise-wide basis to achieve people, quality, velocity and cost goals. WesTrac Group has achieved Caterpillar CC100 Accreditation for achieving a minimum Contamination Control rating of three stars or higher at each branch right across West Australia, New South Wales and the Australian Capital Territory.

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

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

HUMAN CAPITAL MANAGEMENT

Safety

WesTrac Group promotes the early identification, assessment and control of all risks and hazards in order to prevent injury and we are committed to providing a safe working environment above all else.

WesTrac Group's goal is to be recognised as an industry leader in health and safety management by:

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

Injury Reporting for WesTrac Australia

	January 2015	January 2016	YTD as at June 2016
WesTrac Aust. TRIFR	16.81	10.33	9.99
WesTrac Aust. LTIFR	1.45	1.20	0.89

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

Training

As one of the largest employers of apprentices in Australia, WesTrac developed the WesTrac Institute as part of its initiative to establish a National Skills Training Centre of Excellence. Through the Institute, WesTrac keeps its service capabilities up to date with training in the latest equipment advances as well as general training needs.

With modern, state of the art campuses located in South Guildford, WA and Tomago, NSW, the WesTrac Institute is a comprehensive training centre for those looking to enter the heavy equipment industry. It is the preferred provider for all WesTrac training needs, including pre-trade and post-trade training (Automotive Heavy vehicle mechanics), machine operations, Occupational Health and Safety (OHS) and management training.

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

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

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

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

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

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

Employee Retention and Engagement

WesTrac Group recognises that its people are its most valuable resource. In order to attract, retain and engage the most talented people, WesTrac Group offers a competitive salary and benefits scheme commensurate with industry standards. WesTrac Group also provides its employees with comprehensive learning and development programs designed to encourage their professional and personal development.

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

In 2015, WesTrac invested in a suite of new employee performance management tools to help improve employee engagement, satisfaction and retention.

SOCIAL

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

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

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

- The Trans-Help Foundation
- Convoy for Kids
- The NSW Rescue Helicopter Service
- The Red Cross
- RU Okay Organisation
- Cerebral Palsy Australia
- The Jodi Lee Foundation
- The McGrath Foundation
- The Princess Margaret Hospital Foundation

SGH ENERGY – ENVIRONMENT

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

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

SGH Energy's Longtom Environment Plan and Longtom Safety Case, concerning the operation of SGH Energy's Longtom production facilities, document the hazards and the specific controls that have been implemented by SGH Energy as well as targeted and measurable performance standards for the key controls to ensure that they continue to be effective. Stakeholder consultation is also a key part of the SGH Energy's environmental management process for the Longtom operation. The Longtom Environment Plan and Longtom Safety Case have both been independently accepted by Federal Petroleum Industry Regulator, the National Offshore Petroleum Safety and Environmental Management Authority, with regular inspections, both internal and by the regulator.

BOARD OF DIRECTORS

KERRY MATTHEW STOKES AC

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

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

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

Chairman of Seven Media Group Pty Limited since December 2006.

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

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

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

RYAN KERRY STOKES

Mr Ryan Stokes is Managing Director & Chief Executive Officer of Seven Group Holdings Limited (SGH) since July 2015.

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

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

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

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

Mr Stokes holds a BComm from Curtin University.

SALLY ANNABELLE CHAPLAIN

Director of Seven Group Holdings Limited since 24 November 2015.

Member 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 investment banking, financial services, mining, engineering and major infrastructure services.

Ms Chaplain is the independent Chairman of Queensland Airports Limited and Chairman of Canstar Pty Limited. Ms Chaplain is a Director of Downer – EDI Limited. She is also a Director of EFIC, Australia's export credit agency and a member of the Gold Coast 2018 Commonwealth Games Finance and Audit Committee.

Ms Chaplain is a Fellow of the Australian Institute of Company Directors and holds a Master of Business Administration from Melbourne University, a Bachelor of Arts majoring in Economics and Mandarin from Griffith University and a Diploma from the Securities Institute of Australia. She was recently awarded the 2015 Outstanding Alumnus of the Year for Griffith University Business School and is a member of the Griffith University Business School Strategic Advisory Board.

TERRY JAMES DAVIS

Director of Seven Group Holdings Limited since 1 June 2010.

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

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

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

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

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

CHRISTOPHER JOHN MACKAY

Director of Seven Group Holdings Limited since 1 June 2010.

Former Chairman of Magellan Financial Group Limited and Managing Director of Magellan Flagship Fund Limited since 1 October 2013.

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

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

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

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

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

DAVID IAN MCEVOY

Director of Seven Group Holdings Limited since 27 May 2015.

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

Mr McEvoy has been engaged in the oil and gas industry for over 40 years, in a variety of technical, senior executive and non-executive director roles. He was employed for almost 34 years with ExxonMobil. He concluded his executive career at ExxonMobil in 2002 as Vice President Business Development, ExxonMobil Exploration Company. Mr McEvoy earlier served as a Regional Vice President of Exxon Exploration Company from

1992 to 1997, where he was responsible for exploration activities in the Far East, USA, Canada and South America. He joined Esso Australia Limited in 1969.

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

Mr McEvoy is currently a Non-Executive Director of Woodside Petroleum Limited (since 2005) and AWE Limited (since 2006). He is a former Non-Executive Director of Acer Energy (formerly Innamincka Petroleum Limited) and Po Valley Energy Ltd.

BRUCE IAN MCWILLIAM

Director of Seven Group Holdings Limited since 28 April 2010.

Director of Seven Network Limited since September 2003.

Appointed Commercial Director for Seven Network Limited in May 2003.

Director of Seven Media Group Pty Limited since December 2006.

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

Director of Australian News Channel Pty Limited.

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

Honorary Fellow of the University of Sydney.

Chairman, Sydney University Law School Advisory Committee.

Council Member, St Pauls College, University of Sydney.

Honorary Governor – The Thalidomide Foundation Limited.

THE HON. WARWICK LESLIE SMITH AM

Director of Seven Group Holdings Limited since 12 September 2014.

Member of the Audit & Risk Committee, Member of the Remuneration & Nomination Committee.

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

Director of Coates Hire since May 2016.

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

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

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

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

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

RICHARD ANDERS UECHTRITZ

Director of Seven Group Holdings Limited since 1 June 2010. Acting Chairman of the Remuneration & Nomination Committee, Member of the Independent & Related Party Committee.

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

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

Over thirty years experience in retailing.

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

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

PROFESSOR MURRAY CHARLES WELLS

Director of Seven Group Holdings Limited since 28 April 2010.

Director of Seven Network Limited since July 1995.

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

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

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

COMPANY SECRETARY
WARREN WALTER COATSWORTH

Company Secretary of Seven Group Holdings Limited since 28 April 2010.

Company Secretary of Seven West Media Limited since April 2013.

Company Secretary of Seven Network Limited since July 2005.

Solicitor holding a current practising certificate with degrees in Arts and Law (Hons) from the University of Sydney. Legal Counsel with Seven Network Limited for the past sixteen years, advising broadly across the company, and formerly a solicitor at Clayton Utz. He has completed a Graduate Diploma in Applied Corporate Governance and is a qualified Chartered Company Secretary and a Fellow and member of the Governance Institute of Australia. In 2016, he completed his Masters of Law in Media and Technology Law from the University of New South Wales.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

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

The Company's Board and Committee Charters and a number of the corporate governance policies referred to in this statement are available in the "Corporate Governance" section of the Company's website at www.sevengroup.com.au/about-us/corporate-governance. Those policies which are not separately available on the Company's website are summarised in this statement. A copy of this statement is available on the Company's website.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and responsibilities of the Board

The Board is empowered to manage the business of the Company subject to the *Corporations Act 2001* (*Corporations Act*) and the Company's Constitution.

The Board is responsible for the overall corporate governance of the Group and has adopted a Board Charter, which is available on the Company's website. The Board Charter sets out the role and responsibilities of the Board as well as those functions delegated to management.

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

- representing and serving the interests of shareholders by overseeing, reviewing and appraising the Company's strategies, policies and performance in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution;
- contributing to, and approving management's development of, corporate strategy and performance objectives and monitoring management's performance and implementation of strategy and policies;
- reviewing and monitoring systems of risk management and internal control and ethical and legal compliance;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership; and
- on an annual basis, reviewing the effectiveness of the Company's Diversity Policy.

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

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

Board Committees

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

Each Committee has its own written Charter which is reviewed on an annual basis. The Charter of each Committee is available on the Company's website.

Further details regarding the Audit & Risk Committee are set out under "Principle 4 – Safeguard Integrity in Corporate Reporting" and further details regarding the Remuneration & Nomination Committee and the Independent & Related Party Committee are set out under "Principle 2 – Structure the Board to Add Value" in this Corporate Governance Statement.

The Directors' Report on page 53 sets out the number of Board and Committee meetings held during the 2016 financial year under the heading "Meetings of Directors", as well as the attendance of Directors at those meetings.

Delegation to management

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

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

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

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

Senior management team

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

The management of the Company during the financial year comprised the Managing Director & Chief Executive Officer, Chief Operating Officer, Chief Financial Officer as well as several Group Executives who together provide expertise in finance, mining, systems and processes, security and compliance. In addition, several Seven West Media Limited executives provided management services to the Company, and as part of these arrangements, a portion of their salary cost was charged to the Company for the services provided to it.

Mr Ryan Stokes is Managing Director & Chief Executive Officer of the Company who is charged with the responsibility for overseeing and supervising the Company's investments in accordance with the Board's strategies as well as managing the Company's executive team. Mr Ryan Stokes also reports to the Board on the performance, management and operations of the Group as well as matters relating to process, governance and optimisation of the businesses of the Group. The Chief Financial Officer of the Company is Mr Richard Richards. Mr Richards works closely with the Managing Director & Chief Executive Officer and the Chief Operating Officer and reports to the Board on the financial performance and position of the Group and its businesses as well as matters relating to Group's financial governance, controls and processes.

Mr James Scott was Chief Operating Officer of the Company from 1 July 2015 tasked with responsibility for continuous improvement of the Company's operating activities, driving business transformation and productivity initiatives. Effective 1 July 2016, Mr Scott will occupy the role of Group Executive – Technology and Innovation.

Appointment of Directors

The Board has established a Remuneration & Nomination Committee to assist it in the appointment of new Directors. Further information regarding the Committee is set out under "Principle 2 – Structure the Board to Add Value" in this statement.

The policy and procedure for the selection and appointment of new Directors is set out in an attachment to the Board Charter. The factors that will be considered when reviewing a potential candidate for the Board appointment include:

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

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

As part of the selection and appointment process:

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

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

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

New Director appointment during the year

During the year, the Board, with the assistance of the Remuneration & Nomination Committee, undertook a review of the Board's structure and composition, and appointed an additional Non-Executive Director, Ms Annabelle Chaplain, to the Board on 24 November 2015.

The Board considers that Ms Chaplain's experience in investment banking, financial services, mining, engineering and major infrastructure services as well as overall board experience adds further depth and strength to the Board and its Committees and that Ms Chaplain will make a valuable contribution to the Company.

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 reelection at the third Annual General Meeting of the Company since they were last elected.

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

Company Secretary

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

- monitoring whether Company policies and procedures are followed;
- preparing Board and Committee minutes;
- advising the Board and Committees on governance matters; and
- co-ordinating the timely distribution of Board and Committee agendas and briefing materials.

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

Board, Committee and Director performance evaluation

The Executive Chairman closely monitors the performance and actions of the Board and its Committees and meets with individual Board members during a financial year to ensure that the Board and its Committees operate effectively and efficiently. The Executive Chairman and each Board member consider the performance of that Board member in relation to the expectations for that Board member and consider any opportunities for enhancing future performance. Matters which may be taken into account include the expertise and responsibilities of the Board member and their contribution to the Board and any relevant Committees and their functions.

During a financial year, the Chair of each Committee also monitor and evaluate the performance of their respective Committee according to the function and objectives of the Committee, its program of work, and the contributions of its members, and discuss the Committee's performance with the Executive Chairman and its members.

For the purposes of his own performance evaluation, the Executive Chairman met with two Directors, including at least one Independent Director to review his performance.

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

Assessment of management performance

The performance of the Managing Director & Chief Executive Officer is formally reviewed by the Board against the achievement of strategic and budgetary objectives in respect of the Group's operations and investments whilst also having regard for his personal performance in the leadership of the Group. The Board's review is carried out annually in regard to certain goals against which he is assessed, and throughout the year in regard to others, and forms the basis of the determination of the Managing Director & Chief Executive Officer's performance-based remuneration. The Remuneration Report sets out further details of the performance criteria against which the Managing Director & Chief Executive Officer's performance-based remuneration is assessed on pages 55 to 71.

The performance of senior executives of the Company are reviewed on an annual basis in a formal and documented interview process with either the Managing Director & Chief Executive Officer or the particular executive's immediate supervisor, who evaluates performance against agreed performance goals and assessment criteria in relation to the senior executive's duties and material areas of responsibility, including management of relevant business units within budget, motivation and development of staff and achievement of, and contribution to, the Company's objectives.

A performance evaluation of the Managing Director & Chief Executive Officer and other senior executives took place during the year in accordance with this process. For further information about the performance-related remuneration of senior executives and employees, please see the discussion set out under "Principle 8 – Remunerate Fairly and Responsibly".

Diversity Policy

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

The Diversity Policy requires that the Board set measurable objectives and assess the objectives and the company's progress towards achieving them annually. The Board is committed to:

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

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

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

Company progress on diversity objectives in 2016

Flexible work practices

In the Board's view, the Company has achieved the objective of offering flexible working arrangements with an increased take up of flexible working across the Group. During the year, the Company implemented a parental leave program which includes additional personal leave provisions to ensure that parents returning to the workplace have the flexibility to care for sick children when needed. Support is also extended to an employee assistance program for employees who are experiencing family or domestic violence.

The Company continues to set clear expectations of behaviours for employees that foster an inclusive and supportive organisational culture. The Company monitors performance against this objective to ensure expectations are clear and cultural outcomes attained.

Career development and performance

The Company's commitment and progress towards achieving this objective includes establishing processes to determine fair and equitable benchmarked remuneration, commensurate with the employee's experience and performance in the position they hold, regardless of age, gender or cultural background. Within the WesTrac Australia business, the implementation of a new talent management system and alignment of positions with a remuneration banding framework has enabled greater ability to ensure transparency in both performance management and remuneration processes.

Equal employment opportunities

The Company strives to maintain a significant level of female participation throughout the organisation and endeavours to attract female employees at all levels.

The Group has continued to focus on partnering with indigenous employment agencies to assist in cultural awareness training and supporting candidates to assist with increasing representation of indigenous Australians and to provide specific services to assist indigenous employees at work. Additionally, the WesTrac Australia business has set a minimum goal of 15 per cent for its intake of indigenous employees into its apprentice program.

Gender Diversity

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

Level	Number of Women	Proportion of Women
Board	1 of 10	10%
Senior executives*	10 of 76	13%
Whole of organisation	542 of 3,979	14%

* Senior executives include Executive Directors of Seven Group Holdings Limited and its subsidiaries, as well as other members of the Executive leadership team and, where appropriate, direct reports to the Executive leadership team. Executive Directors have been included in both the Board and the senior executive categories. The Board and senior executives are included in the Whole of Organisation category. For the purpose of this section of the report employee numbers and statistics have been calculated based on employees who were paid in the final pay periods of April 2016.

The Board is mindful of and recognises the benefits of a Board comprising directors with a broad range of skills, experience and perspectives. With these considerations in mind, in the 2015 Annual Report the Board committed to the appointment of a female director as part of the succession process to fill the vacancy on the Board created by the retirement of Mr Don Voelte AO. Fulfilling that commitment, Ms Annabelle Chaplain was appointed to the Board on 24 November 2015. 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 2015–2016 on its website, which contains the Company's Gender Equality Indicators, in the 'Corporate Governance' section of its website.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Board composition

The Company's Constitution provides for a minimum of three Directors and a maximum of 12 Directors on the Board.

As at the date of this statement, the Board comprises 10 Directors, including six Non-Executive Directors.

The Non-Independent Directors in office are:

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

The Independent Directors in office are:

- Ms Annabelle Chaplain — Director
- Mr Terry Davis — Director
- Mr David McEvoy — Director
- Mr Christopher Mackay — Director
- Mr Richard Uechtritz — Director
- Professor Murray Wells — 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 40 to 41.

Board independence

The Board acknowledges the ASX Recommendation that a majority of the Board should be Independent Directors. The Board currently comprises a majority of Independent Directors, with four Non-Independent Directors and six Independent Directors. From 1 July 2015 until Ms Annabelle Chaplain's appointment to the Board on 24 November 2015, the Board comprised four Non-Independent Directors and five Independent Directors.

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

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

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

Mr Kerry Stokes AC, Mr Ryan Stokes and Mr Bruce McWilliam are not considered to be independent due to their executive positions with the Company. In addition, Mr Warwick Smith AM is not considered to be independent as he is the chairman of the advisory board of Australian Capital Equity Group of companies which is controlled by Mr Kerry Stokes AC.

In the Board's view, the Independent Directors referred to above are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors' ability to act with a view to the best interests of the Company. In terms of longevity of time in office, the Board does not consider that independence can be assessed with reference to an arbitrary and set period of time, and the independence of Directors who have held office for some time is considered on a case-by-case basis. The Company has diverse operations that have grown considerably over the course of time and, in the Board's view, the Company derives the benefits from having long-serving Directors with detailed knowledge of the history and experience of the Group's operations.

CORPORATE GOVERNANCE STATEMENT

Independent & Related Party Committee

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

Chairman

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

Board skills, experience and expertise

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

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

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

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

Skills and experience	Percentage
Executive leadership Significant business experience at a senior executive level	100%
Financial analysis, risk management and reporting Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls	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	40%
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 Experience in identifying, developing and implementing a successful strategy and developing an asset or investment over the long-term	90%
Corporate governance and regulatory Commitment to the highest standards of corporate governance, including experience with an organisation that is subject to rigorous governance and regulatory standards	100%
Remuneration and people Board remuneration committee membership or management experience in relation to managing people and remuneration, including incentive arrangements and the legislative framework governing employees and remuneration	80%

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

Remuneration & Nomination Committee

The Board has established a Remuneration & Nomination Committee, which is comprised of:

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

Ms Chaplain was appointed to the Committee on 14 April 2016 following a Board review of the composition of Committees of the Board. Prior to her appointment Ms Chaplain attended meetings of the Committee as a non-member.

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

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

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

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

Director induction and ongoing training

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

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

Effective functioning of the Board

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

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Code of Conduct and other Company policies

The Board has adopted a Code of Conduct for Directors, available on the Company's website, which establishes guidelines for their conduct in matters such as ethical standards and the disclosure and management of conflicts of interests.

Formal Employee Conduct Guidelines have been adopted by the Company for employees, including senior executives, and are available on the Company's website. These Guidelines help to guide employees on how to act and clarify how the Company expects employees to perform.

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

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

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

The Company has adopted a formal Issue Escalation Guideline to encourage the reporting and investigation of unethical and unlawful practices and matters of concern which cannot otherwise be adequately dealt with under Company policies. The Guideline, including reporting contacts, is available on the Company's website. The Company requires compliance with Company policies by employees under the terms of their employment and carries out training of employees in relation to its policies and procedures.

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

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit & Risk Committee

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

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

Until 14 April 2016, the Audit & Risk Committee comprised two independent and one non-independent Non-executive Directors: Professor Murray Wells (Chairman), Mr Chris Mackay and Mr Warwick Smith AM. Professor Wells is an Emeritus Professor of Accounting, University of Sydney. Mr Mackay, a former investment banker and corporate and banking lawyer, has considerable experience in business management, capital allocation, risk management and investment. Over the course of a highly distinguished career, Mr Smith has held a variety of senior roles in finance, banking and government.

Ms Chaplain and Mr McEvoy were each appointed to the Committee on 14 April 2016 following a Board review of the composition of Committees of the Board. Prior to their appointments, Ms Chaplain and Mr McEvoy attended meetings of the Committee as non-members. Ms Chaplain and Mr McEvoy each possess extensive experience on Audit & Risk Committees of substantial Australian listed companies. Mr McEvoy brings particular expertise in accounting and operations relating to the oil and gas industries as well as extensive risk management experience.

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

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

- the accounting and financial reporting practices of the Company and its subsidiaries;
- the consideration of matters relating to the financial controls and systems of the Company and its subsidiaries;
- the identification and management of financial risk; and
- the examination of any other matters referred to it by the Board.

The Audit & Risk Committee is also responsible for:

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

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

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

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

External Audit function

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

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

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

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

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

The required declarations from the Chief Executive Officer and Chief Financial Officer have been given for the half-year ended 31 December 2015 and financial year ended 30 June 2016.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Communications with shareholders

As disclosed in the Shareholder Communications Policy, which is available on the Company's website, the Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs and that there is effective two-way communication with shareholders.

The Company adopts a communications strategy that promotes effective communication with shareholders, principally through ASX announcements, the Company website, the provision of the Annual Report, including the financial statements, and the Annual General Meeting (and any extraordinary meeting held by the Company) and notices of general meetings. Information concerning resolutions for consideration at the Company's general meetings is provided in the notice of meeting. Shareholders are encouraged to participate in general meetings and are invited to put questions to the Chairman of the Board in that forum.

Shareholders are given the option to receive communications from, and to send communications to, the Company and the Company's Share Registry electronically, to the extent possible. The Board continues to review its channels of communications with shareholders for cost effectiveness and efficiencies, including using electronic delivery systems for shareholder communications where appropriate.

The Company's website

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

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

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk oversight and management

The Board recognises that the management of business and economic risk is an integral part of its operations and has established policies and procedures for the oversight and management of material business risks, including the establishment of the Audit & Risk Committee. Details regarding the Committee are set out under "Principle 4 – Safeguard Integrity in Corporate Reporting".

The Board also believes a sound risk management framework should be aimed at identifying and delivering improved business processes and procedures across the Group which are consistent with the Group's commercial objectives.

Under the Audit & Risk Committee's Charter, the Committee's key responsibilities in respect of its risk function are to:

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

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

During FY16:

- 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;
- the Committee conducted the annual review of the Company's risk management framework and satisfied itself that the framework continues to be sound and effectively identifies potential risks;
- the Company conducted risk reviews and assessments in a series of workshops conducted by the Head of Internal Audit and Process Improvement jointly with senior management, which identified, assessed and ranked the main strategic risks, including material business risks, facing the Group in respect of which management continues to formulate and record the internal risk controls implemented for those risks; and
- the Board and management continued to focus on driving enhanced risk assessment and mitigation processes in the areas of physical risk and systems risk through the senior Group Executives respectively responsible for security & compliance and for systems & processes, each reporting to the Managing Director & Chief Executive Officer.

Internal Control Framework

The Head of Internal Audit & Process Improvement reports to the Chairman of the Audit & Risk Committee. The Internal Audit function is charged with conducting detailed reviews of relevant controls in the areas of accounting, information and business operations and fulfilling a program of work to test controls implemented by management in these areas. The Audit & Risk Committee reviews and approves the Internal Audit plan, its resourcing as well as monitors its independence and performance. Internal Audit reviews carried out in accordance with the Internal Audit plan are reported to the Committee which reviews and ensures ownership by management in regard to Internal Audit's findings and recommendations and management's responsiveness to any required action items.

Risk Management Policy

The Company has adopted a Risk Management Policy to:

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

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

Material risks

Under the risk framework described above, the Company has identified investment, financial and operational risks which it manages and mitigates. Each of the foregoing material business risks is monitored and managed by appropriate Senior Management within the Company who are delegated responsibility to manage or escalate issues to the Company's senior executive team. Where appropriate, external advisers are engaged to assist in managing the risk. More detail concerning these risks is set out in the Operating and Financial Review of this Annual Report on pages 32 to 35. 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 36 to 39 of this Annual Report.

Workplace Safety

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

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

Management provides leadership by promoting a culture of safety and risk identification and monitors and responds to incident reporting and provides regular workplace safety updates and briefings to the Board.

Additionally, to support well-being within the workplace, the Company provides a free and confidential external counselling service for employees and their immediate families.

Refer to pages 36 to 39 of this Annual Report for more information on the Group's workplace safety practices within WesTrac, the Group's predominant operating business.

Environment and Sustainability

Environmental risks are considered as part of the Company's risk assessment processes.

Refer to pages 37 and 39 of this Annual Report for more information on the Group's environmental practices within WesTrac and SGH Energy.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

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

Remuneration & Nomination Committee

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

The primary responsibilities of the Committee which relate to remuneration are:

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

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

Remuneration of Non-Executive Directors

The remuneration of the Non-Executive Directors is restricted, in aggregate, by the Constitution of the Company and the requirements of the *Corporations Act*.

Currently, Non-Executive Directors' remuneration in aggregate must not exceed $2 million per annum. Non-Executive Directors receive base fees and fees for chairing or serving on Board Committees. In contrast to Executive Directors and senior executives, Non-Executive Directors do not receive performance-related payments, although they may receive additional payments at the discretion of the Board where appropriate in relation to special services that they perform for the Company. Throughout the financial year no such additional fees were paid to Non-Executive Directors. Fees for Non-Executive Directors are set out in the Remuneration Report on page 61 and pages 70 to 71.

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

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

Remuneration of Executive Directors and senior executives

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

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

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

Hedging Policy

The Company's Group Directors Share Trading Policy, and the Executive and Staff Share Trading Policy, prohibit employees (including Key Management Personnel (KMP)) from dealing in the Company's shares, if the dealing is prohibited under the *Corporations Act*.

Therefore, in accordance with this policy, all KMP are prohibited from entering into arrangements which operate to limit the executives' economic risk in relation to an element of their remuneration that has not yet vested or is subject to a holding lock. The ability to deal with unvested rights is restricted in the Employee Share Option Plan and LTI Plan rules, which apply to any options over shares in the Company which may be granted from time to time.

Further details relating to remuneration and the Company's remuneration policy, framework and structure are contained within the Remuneration Report on pages 55 to 71.

This statement has been approved by the Board and is current as at 3 August 2016.

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 2016 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 (appointed 24 November 2015)
Terry James Davis
Christopher John Mackay
David Ian McEvoy
Bruce Ian McWilliam
The Hon Warwick Leslie Smith AM
Richard Anders Uechtritz
Professor Murray Charles Wells

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

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

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were those of a diversified operating and investment group; with interests in heavy equipment sales and service, equipment hire, media, broadcasting and energy assets. There were no significant changes in the nature of the Group's principal activities during the financial year.

BUSINESS STRATEGIES, PROSPECTS AND LIKELY DEVELOPMENTS

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- On 25 February 2015, the Company announced details of an on-market buy-back of up to 17.7 million of the Company's shares, representing approximately 5.97% of the Company's ordinary shares. The buy-back commenced on 23 March 2015 and concluded on 11 March 2016. 14.8 million ordinary shares were bought back at a cost of $71.0 million.
- On 23 February 2016, the Company announced details of an on-market buy-back of up to 16.6 million of the Company's shares, representing approximately 5.9% of the Company's ordinary shares. The buy-back commenced on 23 March 2016, at the date of this report, 0.3 million ordinary shares have been bought back at a cost of $1.7 million.

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

- On 20 July 2016, Managing Director & Chief Executive Officer of the Company, Mr Ryan Stokes became a Non-Executive Director of Beach Energy Limited, an ASX-listed oil and gas production and exploration company.
- On 2 August 2016, the carrying value of the Group's equity accounted investment in Seven West Media Limited decreased $133.0 million to $522.8 million due to the fall in its share price from $1.06 at 30 June 2016 to $0.845 at 2 August 2016.
- On 3 August 2016, the Company announced details of an on-market buy-back of up to 0.5 million of the Company's TELYS4 shares, representing approximately 10.0% of the Company's TELYS4 shares.

Except for the above, there are no other matters or circumstances which have arisen since 30 June 2016 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 2016, 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	6	6	1	1	1	1	–	–
RK Stokes	7 (1)	7 (1)	6	6	4	4	–	–
SA Chaplain ^	4	4	4	4	3	3	3	3
TJ Davis	6	6	1	1	4	4	3	3
CJ Mackay	6	5	6	5	–	–	3	2
DI McEvoy	6	6	5	5	–	–	3	3
BI McWilliam	7 (1)	7 (1)	6	6	–	–	2	2
WL Smith AM	7 (1)	7 (1)	6	6	4	4	–	–
RA Uechtritz	6	6	–	–	4	4	3	3
MC Wells	7 (1)	7 (1)	6	6	–	–	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.

^ Appointed a Director on 24 November 2015.

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

DIVIDENDS – ORDINARY SHARES

Since the start of the financial year, a final fully franked dividend for the 2015 financial period of 20.0 cents per share, amounting to $58.5 million, was paid on 9 October 2015.

Since the start of the financial year, an interim fully franked dividend for the 2016 financial year of 20.0 cents per share, amounting to $56.4 million, was paid on 12 April 2016.

A final fully franked dividend for the 2016 financial year of 20.0 cents per share of $56.2 million will be paid on 7 October 2016, 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 $2.4497 per TELYS4 based on 4,963,640 TELYS4 on issue, amounting to $12.1 million was paid on 30 November 2015.

A further fully franked dividend of $2.4971 per TELYS4 based on 4,963,640 TELYS4 on issue, amounting to $12.5 million, was paid on 31 May 2016.

ENVIRONMENTAL DISCLOSURE

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

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

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

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

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

DIRECTORS' INTERESTS IN SHARES

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 as at 3 August 2016

	Ordinary Shares	Options over Ordinary Shares	TELYS4	Performance Rights
KM Stokes AC	207,304,349	Nil	Nil	Nil
RK Stokes	260,780	Nil	2,500	57,251
SA Chaplain	17,000	Nil	Nil	Nil
TJ Davis	80,000	Nil	10,000	Nil
CJ Mackay	10,000	Nil	Nil	Nil
DI McEvoy	30,000	Nil	Nil	Nil
BI McWilliam	159,011	Nil	Nil	Nil
WL Smith AM	40,800	Nil	Nil	Nil
RA Uechtritz	1,002,476	Nil	Nil	Nil
MC Wells	4,000	Nil	710	Nil

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

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

Performance rights will be awarded under the FY16 LTI Plan in respect of FY16 performance to Mr Ryan Stokes and other senior executives in FY17.

There are no options on issue.

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

REMUNERATION REPORT

Year ended 30 June 2016

MESSAGE FROM THE REMUNERATION & NOMINATION COMMITTEE

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Report for Seven Group Holdings for the 2016 financial year (FY16), which sets out remuneration information for Key Management Personnel and Non-Executive Directors.

CHANGES TO KEY MANAGEMENT PERSONNEL

Mr Ryan Stokes was appointed Managing Director & Chief Executive Officer (MD & CEO) of the Company on 1 July 2015. Prior to his appointment as MD & CEO, Mr Ryan Stokes was Group Chief Operating Officer until 30 June 2015.

Mr James Scott transitioned to the role of Group Executive, Technology and Innovation as a contracted consultant from 1 July 2016 and ceased in the role of Group Chief Operating Officer and as Key Management Personnel on 30 June 2016.

Remuneration arrangements for the MD & CEO are set out in section 6.C. of the Remuneration Report.

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

CHANGES TO REMUNERATION FRAMEWORK

During FY16 the Remuneration & Nomination Committee undertook a review of executive remuneration, in particular examining remuneration structures that align with the Group's business strategies and reflect economic and market conditions.

Following the review, changes to the Group's Short Term Incentive (STI) plan were made in FY16 and a change to the Group's Long-term Incentive (LTI) plan is proposed to apply from FY17. A summary of the changes is set out below. Full details of the STI plan are set out in section 6.A of the Remuneration Report. Details of the LTI plan are set out in section 6.B.

Short Term Incentive Plan

A number of key changes were made to the Group's STI plan to further align executive remuneration outcomes with the performance of the Group.

- STI awards were previously delivered in cash. From FY16, half of STI awards will be delivered in cash and half will be deferred for 12 months. For certain executives, the deferred component of the STI award will be provided in the form of deferred share rights that will vest 12 months from the date of grant.
- STI awards were previously not subject to a financial gateway. From FY16, STI awards are subject to a financial gateway of Group underlying EBIT as set out in section 6.A of the Remuneration Report.
- The STI plan previously included a fixed corporate goal of Group NPAT for all participants. From FY16, the financial measures in the STI plan vary for participants based upon the individual's capacity to influence achievement of the goal and the weighting allocated to each goal varying based upon the role. Details of Key Performance Indicators (KPIs) set for FY16 for Key Management Personnel and their achievement against the KPIs are set out in section 6.A of the Remuneration Report.

Long Term Incentive Plan

Awards under the LTI plan are only made if the statutory NPAT target for the relevant year is achieved. Once granted, awards only vest if the performance hurdles over the three-year performance period are met. From FY17, the Company is proposing to seek shareholder approval to amend the plan and remove the initial statutory NPAT hurdle for grants to be awarded.

The LTI Plan is intended to encourage sustained long-term performance and enhance the alignment between executive remuneration outcomes and shareholders' interests. The LTI gateway (achievement of statutory NPAT) is proposed to be removed to ensure that all senior executives are eligible to participate in the LTI plan. The Remuneration & Nomination Committee considers it paramount that those individuals responsible for executing the long term strategy for the Group remain aligned with the long term interests of shareholders through an annual LTI grant opportunity. The Remuneration & Nomination Committee will retain its discretion to reduce awards in instances where LTI vesting outcomes are considered to be inconsistent with the shareholder experience for the respective performance period.

Further details concerning executive remuneration arrangements and the performance-linked remuneration outcomes for FY16 are set out in this Remuneration Report.

Yours faithfully,

Richard Uechtritz
Chairman of the Remuneration & Nomination Committee

REMUNERATION REPORT – AUDITED

This Remuneration Report for the year ended 30 June 2016 (FY16) outlines the remuneration arrangements of the Company and the Group in accordance with the *Corporations Act 2001* (the Corporations Act) and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act.

The Remuneration Report is presented under the following main headings:

1. **Introduction**
2. **Remuneration governance**
3. **Executive remuneration principles and strategy**
4. **Link between remuneration and Group performance**
5. **Executive Chairman and Non-Executive Director remuneration framework**
6. **KMP Executive remuneration framework**
   A. Short-term incentive plan
   B. Long-term incentive plan
   C. Managing Director & Chief Executive Officer remuneration
7. **Key Management Personnel equity holdings**
8. **Key Management Personnel related party transactions**
9. **Summary of executive contracts**
10. **Remuneration in detail**

1. INTRODUCTION

The Remuneration Report outlines key aspects of remuneration policy, framework and remuneration awarded to Key Management Personnel (KMP) during FY16. KMP include Executive Directors, Non-Executive Directors and certain senior executives of the Group who have authority and responsibility for planning, directing and controlling the activities of the Group (Group Executives). Executive Directors and Group Executives are hereafter collectively referred to in this report as KMP Executives.

The Group's KMP for FY16 are listed in the table below.

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

Non-Executive Directors	
Sally Annabelle Chaplain	Director (appointed 24 November 2015)
Terry James Davis	Director
Christopher John Mackay	Director
David Ian McEvoy	Director
Warwick Leslie Smith AM	Director
Richard Anders Uechtritz	Director
Professor Murray Charles Wells	Director

Group Executives	
Melanie Jayne Allibon[(a)]	Group Executive, Human Resources
Jarvas Ernest Croome	Chief Executive Officer, WesTrac Australia
Lawrence Luo	Chief Executive Officer, WesTrac China
Richard Joseph Richards	Group Chief Financial Officer
James Robert Scott[(b)]	Group Chief Operating Officer (appointed 1 July 2015)

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

(b) Mr James Scott transitioned to the role of Group Executive, Technology and Innovation as a contracted consultant to the Company on 1 July 2016 and ceased in the role of Group Chief Operating Officer and ceased as Key Management Personnel on 30 June 2016.

2. REMUNERATION GOVERNANCE

Role of the Remuneration & Nomination Committee

The role and responsibilities of the Remuneration & Nomination Committee (the Committee) are explained in detail in the Corporate Governance Statement. The key responsibilities of the Committee are summarised below and include the following:

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

During the financial year the Committee comprised the following members:

- Mr Richard Uechtritz (Chairman of the Committee)
- Ms Annabelle Chaplain (appointed 14 April 2016)
- Mr Terry Davis
- Mr Warwick Smith AM

Engagement of remuneration advisers

During FY16 no remuneration recommendations, as defined by the Corporations Act, were requested by or provided to the Remuneration & Nomination Committee or the Board by any remuneration consultant.

3. EXECUTIVE REMUNERATION PRINCIPLES AND STRATEGY

Remuneration principles

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

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

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

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

Remuneration strategy

The following diagram illustrates how the Group's remuneration principles are linked to, and support, the business' objectives and how they are aligned to the long-term interests of shareholders and the creation of sustainable shareholder returns. Further details on the executive remuneration framework are in section 6 of the Remuneration Report.

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

Remuneration strategy and objectives	
Attract, retain and motivate people of the highest calibre Attract, motivate and retain key talent by providing market competitive remuneration, which provides a mix of fixed and variable short-term and long-term incentives.	*Align remuneration structures with the creation of shareholder value, implementation of business strategy and delivering 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 Total Shareholder Return (TSR) and diluted Earnings Per Share (EPS).

Fixed remuneration (FR)	Short-term incentives	Long-term incentives
FR consists of base salary as well as employer superannuation contributions. FR is set by having regard to listed companies of a similar size and complexity. Non-monetary benefits are provided in addition to FR. Non-monetary benefits, as disclosed in the remuneration tables, include benefits paid for by the Company such as car parking and tickets to events.	The STI plan delivers an annual incentive where executives have achieved stretch performance measures. The incentive is delivered via deferred share rights and cash. The share rights vest twelve months after grant, provided the KMP Executive remains employed within the Group at the time of vesting. Performance is typically measured using a mix of corporate goals such as Group underlying EBIT, operating cash flow and other goals including: • Divisional EBIT performance; • Leadership and staff development; • Strategic direction; and • Investment performance.	The LTI plan provides for grants of performance rights to eligible senior executives. The plan provides that any grants made are subject to performance hurdles of diluted Earnings per Share growth and relative Total Shareholder Return over a three-year period.

Minimum shareholding guidelines for KMP Executives

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

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

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

4. LINK BETWEEN REMUNERATION AND GROUP PERFORMANCE

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

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

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

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

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

	2016	2015	2014	2013	2012
Statutory NPAT ($m)	$197.8	$(359.1)	$262.5	$488.6	$176.7
NPAT (excluding significant items) ($m)[(a)]	$184.2	$204.3	$253.2	$398.9	$343.2
Significant items ($m)	$13.6	$(563.4)	$9.3	$89.8	$(166.5)
Profit before significant items, net finance costs and tax (Group underlying EBIT) ($m)	$302.8	$314.5	$374.4	$622.8	$553.1
Dividends per ordinary share	40.0 cents	40.0 cents	40.0 cents	40.0 cents	38.0 cents
Share price at financial year end	$6.01[(b)]	$6.54[(b)]	$7.41[(b)]	$6.90	$7.74
Statutory basic EPS	$0.60	$(1.29)	$0.77	$1.49	$0.43
EPS (excluding significant items)	$0.56	$0.59	$0.74	$1.20	$0.98
Diluted EPS (excluding significant items)	$0.56	$0.59	$0.74	$1.20	$0.98
Total Shareholder Return	2.4%	(4.2)%	12.9%	(6.5)%	(16.5)%
Relative Total Shareholder Return	(10.1)%	(20.0)%	(4.8)%	(30.0)%	(18.3)%

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

(b) On 11 December 2013, the Group announced it would undertake an on-market buy-back of up to 11.9 million of the Company's shares, representing approximately 3.86 per cent of the Company's ordinary shares. The Company completed the on-market share buy-back on 9 December 2014 as the target of 11.9 million of the Company's shares had been acquired and subsequently cancelled. A further share buy-back was announced on 25 February 2015, with a target of 17.7 million shares, being approximately 5.97 per cent of the Company's issued capital. At 30 June 2016, 14.7 million shares had been acquired on-market and subsequently cancelled. A further buy-back was announced on 23 February 2016 with 0.3 million shares being acquired and subsequently cancelled by 30 June 2016.

5. EXECUTIVE CHAIRMAN AND NON-EXECUTIVE DIRECTOR REMUNERATION FRAMEWORK

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

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

Approved fee pool

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

Executive Chairman and Non-Executive Director fees

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

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

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

The table below sets out the base and Committee fees inclusive of superannuation which applied during FY16. There was no increase in fees during FY16, which have remained unchanged since August 2010.

Executive Chairman fees	
Fee	$350,000
Non-Executive Director fees	
Base fee	$150,000
Committee Chair fees	
Audit & Risk	$60,000
Remuneration & Nomination	$40,000
Independent & Related Party	$40,000
Committee member fees	
Audit & Risk	$20,000
Remuneration & Nomination	$20,000
Independent & Related Party	$20,000

Non-Executive Director Retirement Benefits

A Retirement Deed was previously entered into with three qualifying Non-Executive Directors of Seven Network Limited in relation to the benefit payable on retirement to Directors who have served more than five years as Seven Network Limited Directors. The benefits payable upon retirement under the Deeds were frozen on 1 August 2003 at three times the average of the Directors' emolument over the previous three years and no further increases will apply.

One Non-Executive Director Retirement Deed remains current in respect of Seven Network Limited.

6. KMP EXECUTIVE REMUNERATION FRAMEWORK

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

Total remuneration comprises of fixed and variable remuneration (which is dependent on the achievement of financial and non-financial performance measures).

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

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

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

Fixed remuneration

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

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

Variable remuneration

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

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

Remuneration mix

The following table outlines the FY16 target remuneration mix for the KMP Executives (excluding the Executive Chairman who does not receive any variable remuneration). For the majority of senior executives, half of the total remuneration package is comprised of performance-based 'at risk' incentive programs.

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

A. SHORT-TERM INCENTIVE PLAN

Certain KMP Executives participated in the Company's STI plan in FY16 which provided executives with the opportunity to receive an annual incentive subject to the achievement of annual corporate and other performance objectives.

Financial gateway

From FY16, the Company introduced a financial gateway to the STI plan. The Company determined that a financial gateway was appropriate to better align the interests of shareholders and executives by limiting STI awards to KMP Executives where minimum financial performance of the Group is not achieved.

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

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

Performance measurement

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

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

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

STI opportunity

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

STI goals

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

STI delivery

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

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

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

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

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

Mr James Scott ceased as a KMP Executive on 30 June 2016 and was awarded his deferred component in cash. Therefore Mr James Scott's entire FY16 STI award will be paid in cash in FY17.

FY16 STI outcomes

Executive variable remuneration outcomes in FY16 were dependent on executive performance outcomes against financial and non-financial key performance indicators.

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

The Group's underlying EBIT target for FY16 was $278.9 million. 109 per cent of the Group's underlying EBIT target for FY16 was achieved ($302.8 million) and as a result, 100 per cent of the on-target amount may be paid as STI awards to executives.

The transformation of the Group has continued as we respond to the current market conditions. Our financial targets have been achieved and the end result from an underlying EBIT perspective is above the market guidance provided. During the year we have sought to grow our market share and generate strong cash flow with strong results across those targets. In addition to the financial performance our safety and people leadership has continued to improve during the year.

REMUNERATION REPORT

The table below provides the detail of the level of performance achieved against KPIs and resulting STI (expressed as a percentage of fixed remuneration) awarded for FY16.

KMP Executive	Position	KPIs	Cash incentive awarded for 2016 (as a percentage of FR)	Deferred equity incentive awarded for 2016 (as a percentage of FR)	Deferred cash incentive awarded for 2016 (as a percentage of FR)	Percentage of STI awarded	Percentage of STI not awarded
RK Stokes	Managing Director & Chief Executive Officer	Group Underlying EBIT Investment Portfolio Performance Group Strategic Direction Financial Stability and Security Leadership and Staff Development Operating Risk, Safety & Security Management	20%	20%	–	80%	20%
MJ Allibon	Group Executive, Human Resources	Group Underlying EBIT Subsidiary companies' performance to budget People Development Culture and Engagement Safety	17.5%	17.5%	–	70%	30%
JE Croome	Chief Executive Officer, WesTrac Australia	Group Underlying EBIT WesTrac WA Underlying EBIT WesTrac Australia Budget, Revenue and Sales Targets WesTrac Working Capital Targets WesTrac Costs and Organisational Development Targets People Safety	17.5%	17.5%	–	70%	30%
L Luo	Chief Executive Officer, WesTrac China	Group Underlying EBIT WesTrac China Underlying EBIT WesTract China Budget, Revenue, Sales and Working Capital Targets Organisational Development Risk/Safety Performance & Leadership	15%	–	15%	60%	40%
BI McWilliam	Commercial Director	Group Underlying EBIT Seven West Media Group Underlying EBIT Subsidiary companies' performance to budget Legal Strategy Transactions & Investments	15%	15%	–	60%	40%
RJ Richards	Group Chief Financial Officer	Group Underlying EBIT Group Operating Cash Budget Subsidiary companies' EBIT contribution, working capital and margins Banking and Investor Relations Leadership	21.3%	21.3%	–	85%	15%
JR Scott	Group Chief Operating Officer	Group Underlying EBIT Subsidiary companies' performance to budget Transformation Program Delivery Organisational Development Leadership	34.6%	–	–	70%	30%

Each individual KPI is allocated a specific weighting such that the sum of the collective measures' weightings equals the relevant percentage of the participant's STI opportunity. For the MD & CEO, 80 per cent of his STI KPIs relate to quantitative measures. For the other KMP Executives, between 50 and 80 per cent of their STI KPIs relate to quantitative measures.

B. LONG-TERM INCENTIVE PLAN

Selected KMP Executives participate in an LTI plan. The purpose of the LTI plan is to encourage sustained performance, drive long-term shareholder value creation and ensure alignment of executive remuneration outcomes to shareholder interests.

LTI opportunity

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

Awards under the LTI plan are only made if the statutory NPAT target for the relevant year has been achieved.

Once granted, awards only vest if the performance hurdles over the three-year performance period are met. LTI awards are structured as rights to acquire ordinary shares in the Company at no cost to the participant and will only deliver benefits to participants if certain earnings targets and shareholder returns are achieved and the KMP Executive remains employed by the Company over the three-year performance period. For Mrs Melanie Allibon and Mr Bruce McWilliam who are not employed directly by the Company, should the LTI award rights vest, they will be cash settled.

The statutory NPAT target for FY16 was $176.5 million. The FY16 statutory NPAT target set by the Board was achieved ($197.8 million) and as a result the Board has determined that LTI awards will be granted in FY17 in respect of FY16 performance to eligible KMP Executives, with the grant to Mr R Stokes to be made subject to shareholder approval as an Executive Director of the Company. The Board exercised its discretion to not make an LTI award to Mr James Scott.

Rights were granted under the LTI plan during FY15 in respect of FY14 performance and currently remain on foot in accordance with the vesting conditions of the LTI plan.

Further details on the LTI plan are set out below.

Long-Term Incentive plan	
What will be granted?	Subject to the achievement of the statutory NPAT target for the relevant financial year, performance rights will be granted for nil consideration. Each right entitles the participant to one ordinary share in the Company, subject to the achievement of the performance hurdles for vesting, as outlined below. For Mrs Melanie Allibon and Mr Bruce McWilliam who are not employed directly by the Company, each right entitles the participant to a cash amount equivalent to one ordinary share in the Company, subject to the achievement of the performance hurdles for vesting, as outlined below.
How many performance rights will be granted?	The value of LTI granted annually is 50% of the relevant KMP Executive's fixed remuneration. The number of performance rights granted to each KMP Executive is equivalent to the face value of the LTI grant divided by an amount calculated based on the 5 day Volume Weighted Average Price following the release of the Company's full year financial results in accordance with the terms and conditions of the plan.
What will be the vesting performance measures?	The vesting of performance rights granted under the LTI plan will be dependent on two independent performance measures, diluted Earnings Per Share (EPS) and relative Total Shareholder Return (TSR).
Why was the EPS performance hurdle chosen, and how is performance measured?	Half (50%) of the award will be subject to an EPS hurdle. EPS provides a direct link between executive reward with the creation of wealth driven through the increase in earnings per share received by shareholders. EPS performance will be measured with reference to the diluted EPS from the audited annual accounts after allowing for any adjustments to this figure for abnormal or unusual profit items as the Board considers appropriate. Threshold and stretch annual percentage EPS growth targets for three years will be set each year for each proposed LTI grant, with the proportion of vesting ranging from 0% (where the threshold EPS growth target is not achieved) to 100% (where the stretch EPS growth target is achieved). The percentage of EPS performance rights that vest (if any) at the end of the three-year performance period is based on the following schedule:

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

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

Threshold EPS hurdle is the aggregate of budget EPS targets for each financial year of the performance period and the stretch EPS hurdle is the aggregate of budget EPS plus 10% for each financial year of the performance period.

For FY15, threshold EPS was $0.76 and stretch EPS was $0.84. Actual EPS for FY15 was $(1.29).

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

Long-Term Incentive plan	
Why was the TSR performance hurdle chosen, and how is performance measured?	The other half of the LTI award will be subject to a relative TSR hurdle. Relative TSR provides an indicator of shareholder value creation by comparing the Company's return to shareholders relative to other companies of similar size. TSR provides an external, market-based hurdle and creates alignment of executive remuneration outcomes to shareholder returns. Participants will not derive any benefit from this portion of the grant unless the Company's performance is at least at the median of the comparator group. The comparator group chosen for assessing the Company's relative TSR consists of constituents of the S&P / ASX 100 index excluding companies classified as Financials under the Global Industry Classification System. This comparator group was selected as it represents a broad base of companies against which investors in SGH may benchmark their investment. The comparator group is defined at the start of the performance period. The composition of the comparator group may change as a result of corporate events, such as mergers, acquisitions, de-listings etc. The Board has agreed guidelines for adjusting the comparator group following such events, and has the discretion to determine any adjustment to the comparator group. TSR performance is monitored and assessed by an independent advisor. The percentage of TSR performance rights that vest (if any) at the end of the three-year performance period will be based on the following schedule:

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

When will performance be tested?	Awards will be subject to a three-year performance period. Immediately following the completion of the performance period, the performance hurdles are tested to determine whether, and to what extent, awards vest. Upon vesting of the rights, the Board has discretion to either issue new shares or acquire shares on market. Any performance rights that do not vest following testing of performance hurdles (i.e., at the end of the three-year performance period) will lapse.
Do the performance rights carry dividend or voting rights?	Performance rights do not carry dividend or voting rights.
What happens in the event of a change in control?	In the event of a change of control of the Company the Board will have discretion to determine whether, and the extent to which, unvested performance rights vest. The Board will consider when making its decision the extent to which performance hurdles have been achieved to the date of the event.
What happens if the participant ceases employment?	If the participant ceases employment with the Company due to termination for cause or gross misconduct, or other reasons determined by the Board (which would normally include resignation) all unvested performance rights will lapse. If the participant ceases employment other than for the reasons outlined above the performance rights will not lapse, unless the Board determines otherwise.

C. MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER REMUNERATION

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

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

Fixed remuneration

The MD & CEO's fixed remuneration is $1,600,000 per annum inclusive of superannuation.

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

Variable remuneration

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

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

7. KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

A. EQUITY GRANTED AS REMUNERATION

Performance rights granted as remuneration

Long-term incentive plan

The Group offered certain KMP Executives the opportunity to participate in the Group's LTI plan in respect of FY12, FY13, FY14, FY15 and FY16 performance. Awards under the LTI plan are only made where the NPAT target for the relevant year has been achieved and once granted, awards only vest if the performance hurdles over the three-year performance period are met. LTI awards are structured as rights to acquire ordinary shares in the Company at no cost to the executive. For Mrs Melanie Allibon and Mr Bruce McWilliam who are not employed directly by the Company, should the LTI award rights vest, they will be cash settled.

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

The FY14 NPAT target was achieved and as a result LTI awards were granted in FY15 in respect of FY14 performance to eligible executives.

On the basis that the FY16 statutory NPAT target set by the Board was achieved, LTI awards will be made to eligible KMP Executives in FY17 and may vest subject to achievement of the three year performance hurdles under the LTI plan.

Details of the vesting profiles of the performance rights held by KMP Executives during FY16 under the LTI plan are detailed below.

KMP	Number of share rights	Grant Date	Expiry Date	Fair value per right at Grant Date TSR component	Fair value per right at Grant Date EPS component	Number of rights vested during 2016	% forfeited in 2016	Financial year in which grant may vest
RK Stokes	57,251	1 Dec 14	1 Sep 17	$3.89	$6.33	–	–	30 Jun 18
JE Croome	23,536	1 Dec 14	1 Sep 17	$3.89	$6.33	–	–	30 Jun 18
RJ Richards	45,801	1 Dec 14	1 Sep 17	$3.89	$6.33	–	–	30 Jun 18
JR Scott	31,700	1 Dec 14	1 Sep 17	$3.89	$6.33	–	–	30 Jun 18

No amount is paid or payable by KMP Executives in relation to this grant.

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

B. EQUITY GRANTED AS REMUNERATION AFFECTING FUTURE PERIODS

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

KMP	Award	2017	2018	2019
RK Stokes	Performance rights (2014 LTI)	$46,360	–	–
JE Croome	Performance rights (2014 LTI)	$22,870	–	–
RJ Richards	Performance rights (2014 LTI)	$39,561	–	–
RK Stokes	Performance rights (2016 LTI)	$111,480	$111,480	$111,480
JE Croome	Performance rights (2016 LTI)	$76,643	$76,643	$76,643
RJ Richards	Performance rights (2016 LTI)	$69,676	$69,676	$69,676

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 2015	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 2016
KM Stokes AC	207,304,349	–	–	–	207,304,349
SA Chaplain[(a)]	–	17,000	–	–	17,000
TJ Davis	40,000	40,000	–	–	80,000
CJ Mackay	10,000	–	–	–	10,000
DI McEvoy	–	30,000	–	–	30,000
WL Smith AM	30,600	10,200	–	–	40,800
RA Uechtritz	702,476	300,000	–	–	1,002,476
MC Wells	4,000	–	–	–	4,000
RK Stokes	185,780	75,000	–	–	260,780
MJ Allibon	8,000	–	–	–	8,000
JE Croome	–	20,000	–	–	20,000
L Luo	–	–	–	–	–
BI McWilliam	134,011	25,000	–	–	159,011
RJ Richards	65,774	–	–	–	65,774
JR Scott	–	–	–	–	–

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

TELYS4

KMP	Number held at 1 July 2015	Purchases and other changes during the year	Number held at 30 June 2016
TJ Davis	7,000	3,000	10,000
MC Wells	710	–	710
RK Stokes	–	2,500	2,500
MJ Allibon	400	(200)	200
JE Croome	200	1,450	1,650
RJ Richards	–	14,560	14,560

D. HEDGING POLICY

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

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

8. KEY MANAGEMENT PERSONNEL RELATED PARTY TRANSACTIONS

Key Management Personnel related party transactions

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

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

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

	2016 $	2015 $
Expenses		
– Lease of premises and related outgoings	41,337,604	40,273,905
– Travel expenses	48,778	3,197,197
– Electricity under supply agreement	1,723,689	2,144,018
– Consulting agreement	250,000	250,000
– Other net expense reimbursements	587,290	220,039
Total expenses	**43,947,361**	**46,085,159**
Assets and liabilities		
– Trade and other receivables – current	–	–
– Trade and other payables – current	–	–

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

Loans and other transactions with Key Management Personnel

During the year, a company associated with a Director, Mr Bruce McWilliam, was party to a consulting agreement with the Group. Total fees paid during the year in relation to this consulting agreement totalled $250,000 (2015: $250,000). This amount is included in the remuneration disclosures and in the table above.

During the year ended 30 June 2016, Mr Kerry Stokes AC and Mr Ryan Stokes were directors on the board of Seven West Media Limited, representing Seven Group Holdings Limited. They are paid a director fee by Seven West Media Limited for their services provided which is disclosed in Seven West Media Limited's Remuneration Report. Professor Murray Wells and Mr Warwick Smith AM receive director fees for their services provided to Flagship Property Holdings Pty Limited. As the amounts are not paid or payable by Seven Group Holdings Limited they have not been included in the remuneration disclosures or the above table.

Other director fees	2016 $	2015 $
KM Stokes AC	347,510	335,000
RK Stokes	149,529	145,000
MC Wells	55,000	55,000
WL Smith AM	65,000	55,000

9. SUMMARY OF EXECUTIVE CONTRACTS

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

KMP Executive	Contract term	Notice period required by the Company	Notice period required by the Executive	Contractual termination payments
RK Stokes	On-going	6 months	6 months	No contractual termination payments
JE Croome	On-going	6 months	6 months	No contractual termination payments
L Luo	Three years	6 months	6 months	No contractual termination payments
RJ Richards	On-going	6 months	6 months	No contractual termination payments
JR Scott	On-going	6 months	6 months	No contractual termination payments

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

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

10. REMUNERATION IN DETAIL

The following table sets out the remuneration details for the Group's KMP for the year ended 30 June 2016.

KMP	Year	Short-term benefits			Post-employment benefits
		Salary & fees $	STI cash bonus $	Non-monetary benefits $	Superannuation benefits $
KM Stokes AC	**2016**	**330,692**	**–**	**39,624**	**19,308**
(Executive Chairman)	2015	331,217	–	222,026	18,783
PD Ritchie AO	**2016**	**–**	**–**	**–**	**–**
(Deputy Chairman) (retired 19 November 2014)	2015	81,846	–	–	7,348
ED Boling	**2016**	**–**	**–**	**–**	**–**
(Non-Executive Director) (retired 19 November 2014)	2015	67,237	–	–	6,388
SA Chaplain	**2016**	**101,471**	**–**	**–**	**9,640**
(Non-Executive Director) (appointed 24 November 2015)	2015	–	–	–	–
TJ Davis	**2016**	**191,781**	**–**	**–**	**18,219**
(Non-Executive Director)	2015	191,781	–	–	18,219
CJ Mackay	**2016**	**173,516**	**–**	**–**	**16,484**
(Non-Executive Director)	2015	173,516	–	–	16,484
DI McEvoy[(a)]	**2016**	**159,165**	**–**	**–**	**15,121**
(Non-Executive Director)	2015	13,669	–	–	1,299
WL Smith[(b)]	**2016**	**173,516**	**–**	**–**	**16,484**
(Non-Executive Director)	2015	131,900	–	–	11,161
RA Uechtritz	**2016**	**191,781**	**–**	**–**	**18,219**
(Non-Executive Director)	2015	184,779	–	–	16,820
MC Wells	**2016**	**210,692**	**–**	**–**	**19,308**
(Non-Executive Director)	2015	211,217	–	–	18,783
DR Voelte AO	**2016**	**–**	**–**	**–**	**–**
(Managing Director & Chief Executive Officer) (retired 29 June 2015)	2015	3,223,263	–	15,940	–
RK Stokes	**2016**	**1,580,692**	**320,000**	**14,734**	**19,308**
(Managing Director & Chief Executive Officer) (appointed 1 July 2015)	2015	768,717	–	25,878	18,783
MJ Allibon[(c)]	**2016**	**131,250**	**22,969**	**–**	**–**
(Group Executive, Human Resources)	2015	131,250	–	–	–
M Bryant	**2016**	**–**	**–**	**–**	**–**
(Chief Executive Officer, WesTrac China) (resigned 31 December 2014)	2015	358,816	–	91,957	18,434
JE Croome	**2016**	**1,072,379**	**192,500**	**29,614**	**19,308**
(Chief Executive Officer, WesTrac Australia)	2015	1,012,977	–	24,829	18,783
DJ Leckie	**2016**	**–**	**–**	**–**	**–**
(Executive Director, Media) (resigned 22 August 2014)	2015	107,361	–	13,422	2,758
L Luo[(d)]	**2016**	**734,981**	**124,348**	**97,435**	**86,680**
(Chief Executive Officer, WesTrac China)	2015	266,168	–	31,841	5,097
BI McWilliam[(e)]	**2016**	**525,000**	**41,250**	**–**	**–**
(Commercial Director)	2015	525,000	–	–	–
RJ Richards	**2016**	**971,565**	**212,500**	**4,210**	**28,435**
(Group Chief Financial Officer)	2015	826,167	–	8,806	30,084
JR Scott[(g)]	**2016**	**630,693**	**227,500**	**7,477**	**19,308**
(Group Chief Operating Officer) (appointed 1 July 2015)	2015	–	–	–	–
Total KMP	**2016**	**7,179,174**	**1,141,067**	**193,094**	**305,822**
Total KMP	2015	8,606,881	–	434,699	209,224

Other long-term benefits		Termination benefits	Share-based payments				
Long service leave and annual leave $	Deferred Incentive $	Termination benefits $	Performance Rights[f] $	Deferred shares/ share rights $	Cash settled equity $	Total $	Remuneration performance related %
–	–	–	–	–	–	389,624	–
–	–	–	–	–	–	572,026	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	89,194	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	73,625	–
–	–	–	–	–	–	111,111	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	210,000	–
–	–	–	–	–	–	210,000	–
–	–	–	–	–	–	190,000	–
–	–	–	–	–	–	190,000	–
–	–	–	–	–	–	174,286	–
–	–	–	–	–	–	14,968	–
–	–	–	–	–	–	190,000	–
–	–	–	–	–	–	143,061	–
–	–	–	–	–	–	210,000	–
–	–	–	–	–	–	201,599	–
–	–	–	–	–	–	230,000	–
–	–	–	–	–	–	230,000	–
–	–	–	–	–	–	–	–
(49,231)	–	–	–	460,000	1,444,478	5,094,450	37
20,375	–	–	157,840	160,000	–	2,272,949	28
237,135	–	–	44,748	–	–	1,095,261	4
–	–	–	–	11,485	8,203	173,907	25
–	–	–	–	–	–	131,250	–
–	–	–	–	–	–	–	–
–	–	453,859	–	–	–	923,066	–
2,868	–	–	99,513	96,250	–	1,512,432	26
21,203	–	–	22,605	–	–	1,100,397	2
–	–	–	–	–	–	–	–
–	–	–	–	–	–	123,541	–
45,206	62,174	–	–	–	–	1,150,824	10
–	–	–	–	–	–	303,106	–
–	–	–	–	20,625	17,188	604,063	13
–	–	–	–	–	–	525,000	–
41,348	–	–	109,237	106,250	–	1,473,545	29
67,887	–	–	38,529	–	–	971,473	4
8,751	–	–	53,572	–	–	947,301	30
–	–	–	–	–	–	–	–
118,548	62,174	–	420,162	394,610	25,391	9,840,042	
276,994	–	453,859	105,882	460,000	1,444,478	11,992,017	

End of Audited Remuneration Report.

(a) Mr David McEvoy was appointed as KMP on 24 May 2015 and as such the 2015 comparison is not for a full year.

(b) Mr Warwick Smith AM was appointed as KMP on 12 September 2014 as such the 2015 comparison is not for a full year.

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

(d) Mr Lawrence Luo was appointed as KMP on 1 January 2015 and as such the 2015 comparison is not for a full year. Remuneration amounts converted from US dollars based on an exchange rate of 0.7283 Australian dollars for each $1 US dollar.

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

(f) Expense includes notional amounts included for the FY16 LTI award of rights which will be granted in FY17 in respect of FY16 performance.

(g) Mr James Scott ceased as KMP on 30 June 2016. His entire STI cash bonus is payable in cash without a deferred component. The share-based payment amount includes $26,786 relating to amortisation that would have occurred in future years on Mr James Scott's share-based payments had the Board not determined for his performance right to remain on foot subject to their original vesting schedule. The Board exercised its discretion to not make an FY16 LTI award to Mr James Scott following his transition to a contracted consultant role from 1 July 2016.

(h) Mr Richard Richards was appointed to the role of Chief Financial Officer in October 2013, his first appointment as a Chief Financial Officer of an ASX listed company. The Company committed to review his fixed remuneration following successful performance in the role, consistent with market remuneration. Following Mr Richard Richards' exceptional performance as Chief Financial Officer, a review of his remuneration was undertaken and his fixed remuneration was increased.

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 KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and, 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 73.

Details of amounts paid or payable to the auditor, KPMG, for audit and non-audit services provided during the year are set out in Note 33 to the financial statements.

ROUNDING OFF

The Company is of a kind referred to in *ASIC Instrument 2016/19* and in accordance with that Instrument, amounts in this report and the accompanying financial 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

MC Wells
Chairman of the Audit & Risk Committee

Sydney
3 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

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

To: the Directors of Seven Group Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

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

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

KPMG

KPMG

Kevin Leighton
Partner

Sydney
3 August 2016

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $m	2015 $m
Revenue			
Revenue	4	2,837.7	2,779.6
Other income			
Dividend income		36.8	44.4
Gain on sale of investments and equity accounted investees		7.9	36.5
Other investment income		–	37.9
Other		48.7	66.8
Total other income		**93.4**	**185.6**
Share of results from equity accounted investees	11	91.0	(377.4)
Impairment of equity accounted investees	11	(0.4)	(99.3)
Fair value movement of derivatives		5.2	–
Expenses excluding depreciation and amortisation	4	(2,682.7)	(3,009.2)
Profit/(loss) before depreciation, amortisation, net finance expense and income tax		**344.2**	**(520.7)**
Depreciation and amortisation		(38.0)	(62.1)
Profit/(loss) before net finance expense and income tax		**306.2**	**(582.8)**
Finance income	5	4.6	35.1
Finance expense	5	(93.8)	(102.4)
Net finance expense		**(89.2)**	**(67.3)**
Profit/(loss) before income tax		**217.0**	**(650.1)**
Income tax (expense)/benefit	6	(19.2)	291.0
Profit/(loss) for the year		**197.8**	**(359.1)**
Profit/(loss) for the year attributable to:			
Equity holders of the Company		196.8	(360.3)
Non-controlling interest		1.0	1.2
Profit/(loss) for the year		**197.8**	**(359.1)**
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	(225.5)	–
Impact of transition – AASB 9: Financial Instruments	1(E)	(4.8)	–
Income tax relating to items that will not be reclassified subsequently to profit or loss	24	67.7	–
Total items that will not be reclassified subsequently to profit or loss		**(162.6)**	**–**
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets	24	–	77.2
Cash flow hedges: effective portion of changes in fair value	24	28.6	16.9
Foreign currency differences for foreign operations	24	15.6	148.3
Impact of transition – AASB 9: Financial Instruments	1(E)	0.4	–
Income tax relating to items that may be reclassified subsequently to profit or loss	24	(9.6)	(25.1)
Total items that may be reclassified subsequently to profit or loss		**35.0**	**217.3**
Total comprehensive income for the year		**70.2**	**(141.8)**
Total comprehensive income for the year attributable to:			
Equity holders of the Company		69.2	(143.5)
Non-controlling interest		1.0	1.7
Total comprehensive income for the year		**70.2**	**(141.8)**

		2016 $	2015 $
Statutory earnings per share (EPS)			
Ordinary shares			
Basic earnings per share	7	0.60	(1.29)
Diluted earnings per share	7	0.60	(1.29)

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 2016

	Note	2016 $m	2015 $m
Current assets			
Cash and cash equivalents	18	366.8	290.7
Trade and other receivables	8	542.7	489.2
Inventories	10	824.8	929.2
Current tax assets		–	11.0
Other current assets		28.9	41.7
Derivative financial instruments	23	1.7	2.5
Total current assets		**1,764.9**	**1,764.3**
Non-current assets			
Investments accounted for using the equity method	11	998.0	983.9
Other financial assets	22	974.6	1,140.9
Property, plant and equipment	12	172.0	216.3
Producing and development assets	13	214.5	208.5
Exploration and evaluation assets	14	218.0	238.5
Intangible assets	15	694.9	665.5
Deferred tax assets	6	9.5	12.9
Derivative financial instruments	23	184.4	142.1
Total non-current assets		**3,465.9**	**3,608.6**
Total assets		**5,230.8**	**5,372.9**
Current liabilities			
Trade and other payables	9	373.0	380.8
Interest bearing loans and borrowings	20	220.1	79.2
Deferred income		228.7	209.4
Current tax liability		9.9	6.4
Provisions	16	49.8	83.3
Employee benefits	17	36.8	37.3
Derivative financial instruments	23	16.4	12.0
Total current liabilities		**934.7**	**808.4**
Non-current liabilities			
Other payables	9	0.4	1.1
Interest bearing loans and borrowings	20	1,514.2	1,556.1
Deferred tax liabilities	6	29.5	98.3
Deferred income		12.7	13.1
Provisions	16	50.8	49.2
Employee benefits	17	12.5	8.1
Derivative financial instruments	23	8.8	29.2
Total non-current liabilities		**1,628.9**	**1,755.1**
Total liabilities		**2,563.6**	**2,563.5**
Net assets		**2,667.2**	**2,809.4**
Equity			
Contributed equity	24	2,472.7	2,544.6
Reserves	24	(466.0)	(344.2)
Retained earnings		648.7	596.2
Total equity attributable to equity holders of the Company		**2,655.4**	**2,796.6**
Non-controlling interest		11.8	12.8
Total equity		**2,667.2**	**2,809.4**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
Year ended 30 June 2016							
Balance as at 1 July 2015		**2,544.6**	**(344.2)**	**596.2**	**2,796.6**	**12.8**	**2,809.4**
Profit for the year		–	–	196.8	196.8	1.0	197.8
Impact of transition – AASB 9: Financial Instruments	1(E)	–	0.4	(4.8)	(4.4)	–	(4.4)
Net change in fair value of financial assets measured at fair value through other comprehensive income	24	–	(225.5)	–	(225.5)	–	(225.5)
Cash flow hedges: effective portion of changes in fair value	24	–	28.6	–	28.6	–	28.6
Foreign currency differences for foreign operations	24	–	15.6	–	15.6	–	15.6
Income tax on items of other comprehensive income	24	–	58.1	–	58.1	–	58.1
Total comprehensive income for the year		**–**	**(122.8)**	**192.0**	**69.2**	**1.0**	**70.2**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	25	–	–	(114.9)	(114.9)	(2.0)	(116.9)
TELYS4 dividends paid	25	–	–	(24.6)	(24.6)	–	(24.6)
Shares bought back on-market	24	(72.1)	–	–	(72.1)	–	(72.1)
Shares vested to employees	24	0.2	–	–	0.2	–	0.2
Share based payments		–	1.0	–	1.0	–	1.0
Total contributions by and distributions to owners		**(71.9)**	**1.0**	**(139.5)**	**(210.4)**	**(2.0)**	**(212.4)**
Total movement in equity for the year		**(71.9)**	**(121.8)**	**52.3**	**(141.2)**	**(1.0)**	**(142.2)**
Balance as at 30 June 2016		**2,472.7**	**(466.0)**	**648.7**	**2,655.4**	**11.8**	**2,667.2**
Year ended 30 June 2015							
Balance as at 1 July 2014		**2,586.2**	**(557.7)**	**1,102.3**	**3,130.8**	**11.9**	**3,142.7**
Loss for the year		–	–	(360.3)	(360.3)	1.2	(359.1)
Net change in fair value of available-for-sale financial assets	24	–	77.2	–	77.2	–	77.2
Cash flow hedges: effective portion of changes in fair value	24	–	16.9	–	16.9	–	16.9
Foreign currency differences for foreign operations	24	–	147.8	–	147.8	0.5	148.3
Income tax on items of other comprehensive income	24	–	(25.1)	–	(25.1)	–	(25.1)
Total comprehensive income for the year		**–**	**216.8**	**(360.3)**	**(143.5)**	**1.7**	**(141.8)**
Transactions with owners recognised directly in equity							
Ordinary dividends paid	25	–	–	(119.7)	(119.7)	(0.8)	(120.5)
TELYS4 dividends paid	25	–	–	(26.1)	(26.1)	–	(26.1)
Shares bought back on-market	24	(40.9)	–	–	(40.9)	–	(40.9)
Own shares acquired	24	(0.7)	–	–	(0.7)	–	(0.7)
Share based payments		–	(3.3)	–	(3.3)	–	(3.3)
Total contributions by and distributions to owners		**(41.6)**	**(3.3)**	**(145.8)**	**(190.7)**	**(0.8)**	**(191.5)**
Total movement in equity for the year		**(41.6)**	**213.5**	**(506.1)**	**(334.2)**	**0.9**	**(333.3)**
Balance as at 30 June 2015		**2,544.6**	**(344.2)**	**596.2**	**2,796.6**	**12.8**	**2,809.4**

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 2016

	Note	2016 $m	2015 $m
Cash flows related to operating activities			
Receipts from customers		3,028.4	3,170.5
Payments to suppliers and employees		(2,740.6)	(2,921.5)
Dividends received from equity accounted investees		73.8	47.0
Other dividends received		37.5	52.9
Interest and other items of a similar nature received		4.9	9.6
Interest and other costs of finance paid		(86.7)	(97.5)
Income taxes refunded		4.3	35.6
Income tax funding paid to equity accounted investee		(7.2)	(9.5)
Net operating cash flows	19	**314.4**	**287.1**
Cash flows related to investing activities			
Payments for purchases of property, plant and equipment		(8.6)	(15.3)
Proceeds from sale of property, plant and equipment		0.7	0.6
Payments for purchase of intangible assets		(22.6)	(22.4)
Payment for production, development and exploration expenditure		(18.0)	(72.1)
Consideration for business combinations, net of cash acquired	31	–	(52.1)
Acquisition of equity accounted investees		(4.8)	(0.3)
Return of capital from investment in equity accounted investee		–	0.5
Payments for other investments		(141.0)	(514.3)
Proceeds from sale of other financial assets		95.4	414.3
Net investing cash flows		**(98.9)**	**(261.1)**
Cash flows related to financing activities			
Payments under share buy-back	24	(72.1)	(40.9)
Ordinary dividends paid	25	(114.9)	(119.7)
TELYS4 dividends paid	25	(24.6)	(26.1)
Dividend paid to non-controlling interests		(2.0)	(0.8)
Proceeds from borrowings		385.9	602.7
Repayment of borrowings		(318.0)	(300.5)
Net financing cash flows		**(145.7)**	**114.7**
Net increase in cash and cash equivalents		**69.8**	**140.7**
Cash and cash equivalents at beginning of the year	18	290.7	128.3
Effect of exchange rate changes on cash and cash equivalents		6.3	21.7
Cash and cash equivalents at end of the year	18	**366.8**	**290.7**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 2016 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 3 August 2016.

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 2016/19 and in accordance with that Instrument, amounts in the Directors' Report and consolidated financial statements have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars.

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

- certain assets and liabilities have been restated to reflect the finalisation of the acquisition accounting for Nexus Energy Limited (now known as SGH Energy Pty Limited) as required by AASB 3: *Business Combinations*. Refer to Note 31: Business Combination for details of amounts restated. There was no impact on the Group's net assets as a result of the restatement.
- an amount of $37.1 million has been reclassified from deferred income to trade receivables in the prior year to align with the current year's presentation in which deferred income relating to the Group's maintenance and repair contracts is presented on a gross rather than a net basis. The restatement had no impact on the Group's profit or loss, net assets or equity.
- for segment reporting purposes, the Energy segment now includes amounts in relation to the Group's investment in Beach Energy Limited, reflecting the way the information is provided to the chief operating decision maker. Comparatives in Note 2: Operating Segments have been restated as amounts were previously disclosed in Other investments.
- an amount of $0.3 million has been reclassified from finance income to finance expense in the prior year to align with current year reporting.

(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.

The Group has early adopted AASB 9: *Financial Instruments* (AASB 9) with effect from 1 July 2015.

With the exception of AASB 9, 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 who have not early adopted AASB 9.

(B) Principles of consolidation

Subsidiaries

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

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

Any interest retained in the former subsidiary is measured at fair value when control is lost.

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

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

Business combinations are accounted for in accordance with the accounting policy outlined in Note 31: Business Combination.

(C) Foreign currency translation

Functional and presentation currency

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

Transactions

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

1. BASIS OF PREPARATION (CONTINUED)

(C) Foreign currency translation (continued)

Transactions (continued)

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 hyper-inflationary economy) that have a functional currency different from Australian Dollars are translated into Australian Dollars as follows:

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

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

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

(D) Goods and services tax (GST)

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

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

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

(E) Changes in accounting policies

The Group has early adopted AASB 9: *Financial Instruments* with a date of initial application of 1 July 2015. A number of new standards, amendment to standards and interpretations are effective for future reporting periods. Other than AASB 9, these standards have not been applied in preparing this financial report.

AASB 9: Financial Instruments (2014)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and also sets out new rules for hedge accounting. The impact of adopting AASB 9 for the Group is outlined below.

The Group has elected to apply the limited exemption in AASB 9 (paragraph 7.2.15) relating to transition for classification and measurement and accordingly has not restated comparative periods in the year of initial application. As a result, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings.

Classification and measurement

The Group has classified its existing financial assets and financial liabilities in accordance with AASB 9. On adoption, the Group assessed each of its financial assets held to determine whether they met the criteria to be measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income.

The Group has elected to classify its existing listed and unlisted equity securities as ‘financial assets measured at fair value through other comprehensive income’ as it more closely reflects the manner in which the Group manages its investment portfolio. The fair value measurements for these securities will now be recorded in other comprehensive income and not subsequently reclassified to profit or loss.

There were no material changes in the measurement of the Group’s financial liabilities as a result of adopting AASB 9.

For further detail refer to Note 21: Financial Risk Management.

Hedge accounting

AASB 9 introduced a hedge accounting model which simplifies hedge accounting outcomes and more closely align hedge accounting with risk management objectives. The impact from adopting AASB 9 on the Group’s hedging positions was a decrease of $0.4 million to the Group’s hedge reserve.

Impairment

AASB 9 introduced a new impairment assessment model for financial assets that impacts the Group’s assessment of its provision for impairment losses. Under AASB 9, the provision for impairment losses is assessed as the expected credit losses over a 12 month period or the lifetime of expected credit losses for the financial asset.

The impact from adopting AASB 9 on the Group’s provision for impairment losses on trade receivables was an increase of $6.2 million to the provision, $1.4 million to deferred tax asset and an adjustment of $4.8 million to retained earnings on transition.

(F) New accounting standards

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

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

AASB 15: Revenue from Contracts with Customers

AASB 15 outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers.

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

AASB 16: Leases

AASB 16 removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet. 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.

(G) Critical accounting estimates and judgements

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

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

Environmental risk and regulation

The Group and the industries in which it operates are subject to a broad range of environmental laws, regulations and standards (including certain licensing requirements). This could expose the Group to legal liabilities or place limitations on the development of its operations. In addition there is a risk that property utilised by the Group from time to time may be contaminated by materials harmful to human health (such as hazardous chemicals). In these situations the Group may be required to undertake remedial works on contaminated sites and may be exposed to third party compensation claims and other environmental liabilities. Management judgement is therefore required to estimate the impact of such factors on future earnings supporting existing goodwill and intangible assets.

2. OPERATING SEGMENTS

Recognition and measurement

Identification of reportable segments

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

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

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

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

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

WesTrac Australia

WesTrac Australia is the authorised Caterpillar dealer (including Bucyrus/Expanded Mining Products) in Western Australia, New South Wales and the Australian Capital Territory, providing heavy equipment sales and support to customers.

WesTrac China

WesTrac China is the authorised Caterpillar dealer (including Bucyrus/Expanded Mining Products) in the North Eastern China provinces of Hebei, Liaoning, Heilongjiang, Jilin, Shanxi, Inner Mongolia and the municipalities of Beijing and Tianjin, providing heavy equipment sales and support to customers.

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.

Coates Hire

Coates Hire represents the Group's equity accounted investment in Coates Group Holdings Pty Limited.

Coates Hire is Australia's largest equipment hire company and provides a full range of general and specialist equipment to a wide variety of markets including engineering, building construction and maintenance, mining and resources, manufacturing, government and events.

Media investments

Media investments relate to investments in listed and unlisted media organisations, including but not limited to, Seven West Media Limited.

Energy

Energy relates to the Group's 11.2 per cent working interest in the Bivins Ranch basin in Texas USA and wholly-owned interest in SGH Energy Pty Limited and the Group's investment in Beach Energy Limited.

Other investments

Other investments incorporates listed investments and property.

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

2. OPERATING SEGMENTS (CONTINUED)

	WesTrac Australia[a]		WesTrac China		AllightSykes[a]		Coates Hire		Media investments[b]		Energy[c]		Other investments		Total	
	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m	2016 $m	2015 $m
Segment revenue																
Sales to external customers	2,150.0	2,120.0	600.5	555.7	69.7	82.5	–	–	–	–	5.7	21.4	11.8	–	2,837.7	2,779.6
Segment result																
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)[d]	192.7	197.4	36.2	38.4	(1.0)	(2.1)	5.2	7.9	88.3	103.5	0.7	11.6	40.6	40.0	362.7	396.7
Depreciation and amortisation	(27.4)	(29.1)	(4.9)	(14.9)	(2.4)	(4.3)	–	–	–	–	(3.0)	(10.5)	(0.2)	(2.9)	(37.9)	(61.7)
Segment earnings before interest and tax (EBIT)[e]	**165.3**	**168.3**	**31.3**	**23.5**	**(3.4)**	**(6.4)**	**5.2**	**7.9**	**88.3**	**103.5**	**(2.3)**	**1.1**	**40.4**	**37.1**	**324.8**	**335.0**
Other segment information																
Share of results of equity accounted investees included in segment EBIT (excluding significant items)[f]	(0.2)	3.2	–	–	–	–	3.7	5.9	85.0	66.0	–	–	1.5	5.0	90.0	80.1
Impairment of assets	–	–	–	(237.6)	–	(63.0)	–	(114.0)	(0.4)	14.7	–	–	–	(26.4)	(0.4)	(426.3)
Capital expenditure	(27.9)	(33.1)	(0.8)	(2.3)	(2.4)	(1.4)	–	–	–	–	(18.0)	(72.1)	(0.1)	(0.9)	(49.2)	(109.8)
Investments accounted for using the equity method	29.0	29.1	–	–	–	–	283.0	291.7	655.8	631.1	–	–	30.2	32.0	998.0	983.9
Other segment assets	1,502.5	1,524.2	653.1	705.8	48.1	45.9	–	–	95.3	71.7	690.7	825.9	669.0	745.1	3,658.7	3,918.6
Segment assets	**1,531.5**	**1,553.3**	**653.1**	**705.8**	**48.1**	**45.9**	**283.0**	**291.7**	**751.1**	**702.8**	**690.7**	**825.9**	**699.2**	**777.1**	**4,656.7**	**4,902.5**
Segment liabilities	**(435.4)**	**(394.8)**	**(164.8)**	**(194.2)**	**(11.4)**	**(13.8)**	**–**	**–**	**(0.1)**	**–**	**(59.4)**	**(92.1)**	**(19.8)**	**(25.2)**	**(690.9)**	**(720.1)**

(a) WesTrac Australia and AllightSykes segment results above have been reduced in relation to the elimination of sales to Coates Hire due to the Group's interest in Coates Hire.

(b) Media investments comprise investments accounted for using the equity method and financial assets fair valued through other comprehensive income. In the prior year, it included investments accounted for using the equity method and available-for-sale financial assets.

(c) The Energy segment now includes amounts in relation to Group's investment in Beach Energy Limited. Comparatives have been restated as the amounts were previously disclosed in Other investments.

(d) Segment EBITDA comprises profit before depreciation and amortisation, net finance expense, income tax and significant items.

(e) Segment EBIT comprises profit before net finance expense, income tax and significant items.

(f) Coates Hire and Media 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.

	2016 $m	2015 $m
Reconciliation of segment EBIT to net profit/(loss) before tax per consolidated income statement		
Segment net operating profit before net finance expense and tax (EBIT)	324.8	335.0
Corporate operating costs	(22.0)	(20.5)
Gain on sale of investments and equity accounted investees	7.9	36.5
Share of significant items relating to results from equity accounted investees	1.0	(457.5)
Fair value movement of derivatives	5.2	(4.4)
Impairment of equity accounted investees	(0.4)	(99.3)
Impairment of non-current assets	–	(327.0)
Write-down of inventory to net realisable value	–	(10.4)
Restructuring and redundancy costs	(9.8)	(7.0)
Loss on sale of investments	(9.1)	(37.6)
Other significant items	8.6	9.4
Net finance expense	(89.2)	(67.3)
Profit/(loss) before tax per consolidated income statement	**217.0**	**(650.1)**
Reconciliation of segment operating assets to total assets per consolidated statement of financial position		
Segment operating assets	4,656.7	4,902.5
Corporate cash holdings	366.8	290.7
Current tax assets	–	11.0
Deferred tax assets	9.5	12.9
Derivative financial instruments	186.1	144.6
Assets held at corporate level	11.7	11.2
Total assets per consolidated statement of financial position	**5,230.8**	**5,372.9**
Reconciliation of segment operating liabilities to total liabilities per consolidated statement of financial position		
Segment operating liabilities	(690.9)	(720.1)
Derivative financial instruments	(25.2)	(41.2)
Interest bearing loans and borrowings – current	(220.1)	(79.2)
Interest bearing loans and borrowings – non-current	(1,514.2)	(1,556.1)
Current tax liability	(9.9)	(6.4)
Deferred tax liabilities	(29.5)	(98.3)
Liabilities held at corporate level	(73.8)	(62.2)
Total liabilities per consolidated statement of financial position	**(2,563.6)**	**(2,563.5)**
Segment revenue by geographic segment		
Australia	2,231.5	2,215.4
China	600.5	555.7
United States of America	5.7	8.5
Total segment revenue by geographic segment	**2,837.7**	**2,779.6**

Segment revenues are allocated based on the country in which the customer is located. The WesTrac China segment represents all revenue derived from China. The Energy segment includes revenue derived from the United States of America of $5.7 million (2015: $8.5 million) with no revenue derived in Australia in the current year (2015: $12.9 million).

	2016 $m	2015 $m
Non-current assets by geographic segment[(a)]		
Australia	855.1	896.0
China	339.0	331.6
United States of America	105.3	101.2
Total non-current assets by geographic segment	**1,299.4**	**1,328.8**

(a) 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/(loss) before tax includes the following income and expenses for which disclosure is relevant in explaining the underlying financial performance of the Group.

	2016 $m	2015 $m
Significant items		
Net gain on sale of investments and equity accounted investees	7.9	36.5
Impairment of equity accounted investees	(0.4)	(99.3)
Share of results from equity accounted investees attributable to significant items	1.0	(457.5)
Write-down of inventory to net realisable value	–	(10.4)
Impairment of non-current assets	–	(327.0)
Loss on sale of investments and derivative financial instruments	(9.1)	(37.6)
Fair value movement of derivatives	5.2	(4.4)
Restructuring and redundancy costs	(9.8)	(7.0)
Significant items in finance income	–	16.3
Acquisition transaction costs incurred	(0.7)	(13.1)
Significant items in other income	9.3	22.5
Total significant items before income tax	**3.4**	**(881.0)**
ATO formation valuation settlement	–	142.3
Remeasurement of tax exposures	10.0	–
Income tax benefit on significant items	0.2	175.3
Total significant items	**13.6**	**(563.4)**

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

Impairment of equity accounted investees relates to the impairment of the Group's investment in the ordinary equity of Seven West Media Limited of $0.4 million (2015: impairment reversal of $14.7 million) and, in the prior year the impairment of the Group's investment in Coates Hire of $114.0 million. Refer 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 property, restructuring and redundancy costs, impairment charges, payments for the termination of senior management, onerous contract provisions and asset redeployment program costs.

Write-down of inventory to net realisable value relates to the write-down of aged and slow moving inventory in AllightSykes in the prior year.

Impairment of non-current assets relates to the impairment of WesTrac China distribution network of $237.6 million, impairment of AllightSykes' intangibles of $63.0 million and impairment of listed equity securities of $26.4 million in the prior year. Under AASB 9: *Financial Instruments*, impairment of listed equity securities are now recorded through other comprehensive income and will not be shown in the profit or loss.

Loss on sale of investments and derivative financial instruments relates to the loss on disposal of equity swaps and, in the prior year, disposal of listed equity securities.

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

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

Significant items in finance income comprises finance fee income in the prior year relating to the loans receivable from Nexus Energy Limited (now known as SGH Energy Pty Limited) prior to acquisition.

Acquisition transaction costs incurred relates to acquisition costs incurred for one-off transactions.

Significant items in other income relates to leasing bonuses received on property developments and, in the prior year the net of unrealised foreign exchange gains/losses and a one-off legal settlement receivable.

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

ATO formation valuation settlement comprises the settlement in the prior year of an outstanding tax objection with the Australian Taxation Office (ATO).

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.
Revenue from sale of oil, gas and condensate	Oil and gas sales are recognised on production following delivery into the pipeline. Revenue derived from the sale of condensate is brought to account after each shipment is loaded.
Other revenue	Other revenue is recognised when all performance obligations are met, including when a contractual entitlement exists, it can be reliably measured and it is probable that the economic benefits will flow to the Group.
Other income	Other income comprises sundry income and is earned when goods and services are rendered. Dividend income is recognised net of any franking credits. Dividend income is recognised when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4. REVENUE AND EXPENDITURE (CONTINUED)

	2016 $m	2015 $m
Revenue		
Revenue from product sales	1,153.8	1,056.7
Revenue from product support	1,658.3	1,677.0
Revenue from sale of oil, gas and condensate	5.7	21.4
Other revenue	19.9	24.5
Total revenue	**2,837.7**	**2,779.6**
Expenditure excluding depreciation and amortisation		
Materials cost of inventory sold and used in product sales and product support	(1,840.4)	(1,789.1)
Raw materials and consumables purchased	(87.1)	(88.6)
Employee benefits	(489.9)	(476.0)
Operating lease rental	(65.9)	(68.9)
Write-down of inventory to net realisable value	–	(10.4)
Impairment of intangible assets	–	(300.6)
Impairment of other financial assets	–	(26.4)
Loss on sale of investments and derivative financial instruments	(9.1)	(37.6)
Fair value movement of derivatives	–	(4.4)
Other expenses	(190.3)	(207.2)
Total expenses excluding depreciation and amortisation	**(2,682.7)**	**(3,009.2)**

5. NET FINANCE EXPENSE

Accounting policy

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

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

	2016 $m	2015 $m
Finance income		
Interest income on bank deposits	4.6	7.9
Interest income on loans receivable – Nexus Energy Limited (pre-acquisition)	–	10.9
Finance fee income – Nexus Energy Limited (pre-acquisition)	–	16.3
Total finance income	**4.6**	**35.1**
Finance expense		
Interest expense	(83.5)	(90.2)
Borrowing costs	(7.9)	(9.7)
Unwind of discount on provisions	(2.4)	(2.5)
Total finance expense	**(93.8)**	**(102.4)**
Net finance expense	**(89.2)**	**(67.3)**

6. INCOME TAX

Accounting policy

Income tax expense comprises current and deferred tax expense. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax expense for the period is the expected tax payable on the current period's taxable income based on the enacted or substantively enacted income tax rate for each jurisdiction adjusted by changes to tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences arising between the expected tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax exposures

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

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

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.

6. INCOME TAX (CONTINUED)

	Note	2016 $m	2015 $m
Income tax expense			
Current tax expense		(19.6)	(123.6)
Deferred tax (expense)/benefit		(7.4)	268.5
ATO formation valuation settlement		–	142.3
Adjustment for prior years – non-temporary differences		7.8	3.8
Total income tax (expense)/benefit		**(19.2)**	**291.0**
Reconciliation between tax expense and pre-tax statutory (profit)/loss:			
Income tax using the domestic corporation tax rate 30%		(65.1)	195.1
Recognition of deferred tax asset on capital and revenue losses, not previously recognised		1.7	2.8
Franked dividends		27.6	25.5
Share of equity accounted investee's net profit		(1.8)	(12.0)
Remeasurement of tax exposures		10.0	–
Provisional settlement of Hong Kong Inland Revenue Department tax matter		(6.1)	–
Non-assessable income		4.1	5.4
Non-deductible expenses		(1.9)	(4.5)
Impairment of assets		–	(71.1)
ATO formation valuation settlement		–	142.3
Over-provided in prior years		7.8	3.8
Difference in overseas tax rates		4.5	3.7
Income tax (expense)/benefit		**(19.2)**	**291.0**
Deferred income tax recognised directly in equity			
Relating to financial assets at fair value through other comprehensive income	24	67.7	–
Relating to available-for-sale financial assets	24	–	(19.7)
Relating to cash flow hedge reserve	24	(9.6)	(5.4)
Relating to foreign currency translation		–	1.1
Total deferred income tax recognised directly in equity		**58.1**	**(24.0)**

During the year, the Company provisionally agreed an outstanding tax audit with the Hong Kong Inland Revenue Department. The Company previously held a tax liability for potential tax exposures on this tax audit and other matters. Due to this agreement and other factors, $10.0 million of tax liabilities has now been released through the tax expense.

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

	Opening balance $m	Recognised in profit $m	Recognised in equity $m	Other[(a)] $m	Closing balance $m
Year ended 30 June 2016					
Deferred tax assets and liabilities					
Investments	(149.8)	(8.7)	53.6	–	(104.9)
Derivative financial instruments	(5.3)	16.1	(9.6)	–	1.2
Inventories and receivables	13.9	(13.2)	–	–	0.7
Property, plant and equipment	(17.0)	(11.3)	–	–	(28.3)
Trade and other payables	45.2	12.3	–	–	57.5
Provisions	17.6	2.8	–	–	20.4
Tax losses	18.2	(8.9)	14.1	15.6	39.0
Transaction costs deducted over five years	1.1	(0.7)	–	–	0.4
Other	(10.2)	4.2	–	–	(6.0)
Net deferred tax liability	**(86.3)**	**(7.4)**	**58.1**	**15.6**	**(20.0)**
Deferred tax asset					9.5
Deferred tax liability					(29.5)
Net deferred tax liability					**(20.0)**
Year ended 30 June 2015					
Deferred tax assets and liabilities					
Investments	(389.7)	259.6	(19.7)	–	(149.8)
Derivative financial instruments	(4.8)	4.9	(5.4)	–	(5.3)
Inventories and receivables	7.7	6.2	–	–	13.9
Intangible assets	(18.7)	18.7	–	–	–
Property, plant and equipment	(1.7)	(15.3)	–	–	(17.0)
Trade and other payables	35.7	9.5	–	–	45.2
Provisions	18.9	(1.3)	–	–	17.6
Tax losses – revenue	–	–	–	18.2	18.2
Transaction costs deducted over five years	1.6	(0.5)	–	–	1.1
Other	2.0	(13.3)	2.0	–	(9.3)
Net deferred tax liability	**(349.0)**	**268.5**	**(23.1)**	**18.2**	**(85.4)**
Deferred tax asset					12.9
Deferred tax liability					(98.3)
Net deferred tax liability					**(85.4)**

(a) Tax loss referable to equity accounted investee in the SGH tax-consolidated group.

As at 30 June 2016, the Group had not recognised:

- deferred tax assets of $115.3 million (2015: $114.0 million) for deductible temporary differences relating to unrealised tax benefits as it is not probable that future gains will be realised against which it could utilise the benefits;
- deferred tax asset of $311.0 million (2015: $262.5 million) for deductible temporary differences relating to Petroleum Resource Rent Tax credits;
- deferred tax assets of $22.9 million (2015: nil) for foreign tax losses substantiated during the year; and
- deferred tax liabilities of $6.0 million (2015: $4.7 million) in respect of assessable temporary differences in relation to investments where management controls the timing of the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future.

7. EARNINGS PER SHARE

Accounting policy

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

Underlying earnings per share from continuing operations is statutory earnings per share adjusted for significant items.

The weighted average number of shares used to calculate underlying earnings per share is the same as the weighted average number of shares used to calculate statutory earnings per share.

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

	2016 $	2015 $
Statutory earnings per share		
Ordinary shares – total earnings per share from continuing operations		
Basic/diluted	0.60	(1.29)

	2016 $m	2015 $m
Earnings reconciliation by category of share		
Ordinary shares	172.2	(386.2)
TELYS4	24.6	25.9
Net profit/(loss) attributable to equity holders of the Company	**196.8**	**(360.3)**

	2016 Million	2015 Million
Weighted average number of shares		
Ordinary shares for basic earnings per share		
Issued shares as at 1 July	296.2	302.7
Shares bought back and cancelled(a)	(15.0)	(6.5)
Issued shares as at 30 June	**281.2**	**296.2**
Weighted average number of shares (basic and diluted) as at 30 June(b)	**285.7**	**298.3**
TELYS4		
Issued shares at as 1 July	5.0	5.0
Issued shares as at 30 June	**5.0**	**5.0**
Weighted average number of shares (basic and diluted) as at 30 June	**5.0**	**5.0**

(a) Refer to Note 24: Capital and Reserves for details of shares bought back and cancelled during the year.
(b) Weighted average number of shares adjusted for effect of treasury shares held.

There were no options that were exercisable, dilutive or anti-dilutive in the current or prior year.

	2016 $	2015 $
Underlying earnings per share (non-IFRS measure)		
Ordinary shares – total underlying earnings per share from continuing operations		
Basic/diluted	0.56	0.59

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

	2016 $m	2015 $m
Underlying earnings reconciliation by category of share		
Net profit/(loss) attributable to equity holders of the Company	196.8	(360.3)
(Less)/add: significant items (refer Note 3)	(13.6)	563.4
Underlying net profit attributable to equity holders of the Company	183.2	203.1
Allocated underlying earnings to category of share		
Ordinary shares	158.6	177.2
TELYS4	24.6	25.9
Net underlying earnings attributable to equity holders of the Company	**183.2**	**203.1**

8. TRADE AND OTHER RECEIVABLES

Accounting policy

The Group has adopted the simplified expected credit loss model for trade receivables as permitted by AASB 9: *Financial Instruments*. Trade receivables are generally due for settlement no more than 30 days from the date of recognition with the exception of some receivables from State Owned Enterprises in China and WesTrac Australia customers with alternative settlement terms.

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 a 12 month period or 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.

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

	2016 $m	Restated 2015 $m
Trade receivables	492.1	425.5
Provision for impairment losses	(29.4)	(14.4)
Collateral provided	3.1	18.1
Other receivables	76.9	60.0
Total trade and other receivables	**542.7**	**489.2**

Collateral provided relates to cash collateral in respect of equity derivative positions.

The creation and release of the provision for impaired receivables has been included in other expenses in profit or loss.

Due to the short-term nature of these receivables their carrying value is assumed to approximate their fair value.

The Group's and the Company's exposure to credit risk is predominately in Australia and China. The Group's exposure to credit risk and impairment losses related to trade receivables is outlined below.

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Past due but not impaired

As at 30 June 2016, trade receivables of $112.4 million (2015: $98.8 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 $m	2015 $m
Past due 1-30 days	68.6	52.4
Past due 31-60 days	14.0	14.7
Past due 61-90 days	14.0	6.1
> 91 days	15.8	25.6
Total trade receivables past due but not impaired	**112.4**	**98.8**

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

Balance at beginning of the year	14.4	10.2
Impairment loss recognised in profit or loss	11.1	3.8
Impairment loss reversed in profit or loss	–	(0.7)
Receivables expensed as uncollectable during the year	(2.0)	(0.6)
Impact of transition – AASB 9: *Financial Instruments*(a)	6.2	–
Exchange differences	(0.3)	1.7
Balance at end of the year	**29.4**	**14.4**

(a) Reflects an opening balance adjustment (with corresponding reduction in opening retained earnings) resulting from a change in accounting policy due to the Group's adoption of AASB 9: *Financial Instruments*.

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.

	2016 $m	2015 $m
Current		
Trade payables	148.3	147.9
Other payables	144.0	166.5
Accruals	42.1	35.7
Payable to equity accounted investee	38.6	30.7
Total trade and other payables – current	**373.0**	**380.8**
Non-current		
Cash settled share appreciation rights	0.4	1.1
Total other payables – non-current	**0.4**	**1.1**

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.

	2016 $m	2015 $m
Raw materials – at cost	25.3	26.9
Work-in-progress – at cost	63.3	32.5
Finished goods		
– at cost	658.1	774.7
– at net realisable value	78.1	95.1
Total finished goods	736.2	869.8
Total inventories	**824.8**	**929.2**

Work-in-progress includes $12.0 million (2015: nil) in relation to the development of residential properties at Seven Hills, Western Australia.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Accounting policy

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

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

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

The Group's investments include 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.

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

Accounting policy (continued)

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.

Seven West Media Limited

The Group has classified its investment in Seven West Media Limited (Seven West Media) as an associate as the Group, through its 41.0 per cent (2015: 40.9 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. The Group's interest in Seven West Media has increased following the cancellation of ordinary shares by Seven West Media under the Seven West Media on-market share buy-back. Despite the increase in ownership percentage, management continue to assess that the Group has significant influence, but not control, over Seven West Media.

Coates Group Holdings Pty Limited

A wholly-owned Group subsidiary, National Hire Group Limited (National Hire) and The Carlyle Group (Carlyle) own Coates Group Holdings Pty Limited (Coates Hire). Under the investment deed, equal control rights are conferred to National Hire and Carlyle. As the Group has joint control and Coates Hire is a separate entity in which the Group has an interest in the residual net assets, the Group's investment in Coates Hire is classified as a joint venture. Although the Group's voting rights in Coates Hire is 50 per cent, the Group has determined its economic interest to be 46.5 per cent (2015: 46.4 per cent) after considering vesting conditions for options issued under Coates Hire's Management Equity Plan.

Beach Energy Limited

The Group holds a 22.9 per cent interest in Beach Energy Limited (Beach Energy) following a step-up in ownership from the merger of Beach Energy with Drillsearch Energy Limited during the year and a further acquisition of shares. Although the Group's holding in Beach Energy is greater than 20.0 per cent (which generally indicates significant influence), management have determined that the Group does not have control or significant influence over Beach Energy on the basis that the Group does not have the ability to significantly influence the financial and operating policy decisions of Beach Energy, nor hold a Non-Executive Director position on the Beach Energy board. Accordingly the Group continues to account for Beach Energy within its listed investments portfolio.

On 20 July 2016, Managing Director & Chief Executive Officer of the Company, Mr Ryan Stokes became a Non-Executive Director of Beach Energy. The board representation, combined with the Group's 22.9 per cent interest result in the Group having significant influence over Beach Energy. Accordingly the Group's investment in Beach Energy will change from being a financial asset fair valued through other comprehensive income to an equity accounted investee from 20 July 2016.

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 2016 %	2015 %
Associates					
Energy Power Systems Australia Pty Ltd	Distribution and rental of CAT engine products	Australia	30 Jun	40.0%	40.0%
iSeekplant Pty Ltd[(a)]	Online services	Australia	30 Jun	10.0%	–
Mo's Mobiles Pty Limited	Mobile phone retailer	Australia	30 Jun	25.0%	25.0%
Premier Capital Developments Pty Limited	Property management	Australia	30 Jun	25.0%	25.0%
Revy Investments Pty Limited	Property management	Australia	30 Jun	25.0%	25.0%
Revy Investment Trust	Property management	Australia	30 Jun	25.0%	25.0%
Seven West Media Limited[(b)]	Media	Australia	25 Jun	41.0%	40.9%
Joint ventures					
Coates Group Holdings Pty Limited[(c)]	Rental services	Australia	30 Jun	46.5%	46.4%
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) Despite the Group's interest in iSeekplant Pty Limited being only 10.0%, the Group has the ability to significantly influence the financial and operating policy decisions through its representation on the iSeekplant Pty Limited board.

(b) The Group's interest in Seven West Media increased to 41.0% during the year as a result of the on-market share buy-back undertaken by Seven West Media.

(c) The Group has determined its economic interest in Coates Group Holdings Pty Limited to be 46.5% after the lapsing of options issued under Coates Hire's Management Equity Plan.

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

Seven West Media is the leading listed national multi-platform media business based in Australia. The Group's investment in Seven West Media is held for strategic purposes and disclosed within the Media investments segment.

Coates Group Holdings Pty Limited (Coates Hire) is Australia's largest and leading rental company. The Group's investment in Coates Hire is held for strategic purposes and disclosed within the Coates Hire segment.

	2016 $m	2015 $m
Investments in associates		
Seven West Media Limited	655.8	631.1
Individually immaterial associates	33.5	32.8
Investments in joint ventures		
Coates Group Holdings Pty Limited	283.0	291.7
Individually immaterial joint ventures	25.7	28.3
Total investments accounted for using the equity method	**998.0**	**983.9**

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

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

The information disclosed reflects the amounts presented in the financial statements of the relevant associate and joint venture and not the Group's share of those amounts.

	ASSOCIATE SEVEN WEST MEDIA		JOINT VENTURE COATES HIRE	
	2016 $m	2015 $m	2016 $m	2015 $m
Summarised financial information of investees (100%)				
Summarised Statement of Financial Position				
Current assets				
Cash and cash equivalents	94.8	141.8	15.1	25.6
Other current assets	536.6	432.3	175.8	259.1
Total current assets	631.4	574.1	190.9	284.7
Non-current assets				
Goodwill	29.7	29.7	920.9	920.9
Intangible assets	1,523.3	1,525.5	101.3	103.5
Other non-current assets	481.3	476.7	809.9	766.8
Total non-current assets	2,034.3	2,031.9	1,832.1	1,791.2
Current liabilities				
Financial liabilities (excluding trade and other payables and provisions)	29.0	–	144.8	135.0
Other current liabilities	431.0	411.5	151.1	142.9
Total current liabilities	460.0	411.5	295.9	277.9
Non-current liabilities				
Financial liabilities (excluding trade and other payables and provisions)	819.2	874.7	1,043.0	1,103.9
Other non-current liabilities	134.0	124.8	45.8	32.8
Total non-current liabilities	953.2	999.5	1,088.8	1,136.7
Net assets	**1,252.5**	**1,195.0**	**638.3**	**661.3**
Group's share (%)	41.0%	40.9%	46.5%	46.4%
Group's share of net assets	513.5	488.8	296.8	306.8
Share of goodwill impairment not recognised as previously impaired	571.0	571.0	156.5	156.5
Adjustment to align accounting policies	(18.3)	(18.3)	–	–
Fair value adjustment on acquisition	–	–	(35.6)	(35.6)
Share of rights issue not taken up	(125.2)	(125.2)	–	–
Elimination of unrealised profits to equity accounted investee	–	–	(6.3)	(7.6)
Change in ownership interest	177.1	176.7	(14.4)	(14.4)
Impairment	(462.3)	(461.9)	(114.0)	(114.0)
Carrying amount	**655.8**	**631.1**	**283.0**	**291.7**
Summarised Statement of Comprehensive Income				
Revenue	1,720.5	1,781.1	873.0	919.3
Depreciation and amortisation	(45.3)	(50.7)	(169.5)	(205.2)
Impairment expense	–	(2,065.2)	–	(337.3)
Net interest expense	(37.8)	(60.7)	(83.1)	(104.3)
Income tax expense	(63.1)	(60.2)	6.0	39.7
Profit/(loss) for the year	184.3	(1,887.4)	(17.8)	(435.9)
Other comprehensive income	(1.9)	(2.3)	(3.4)	5.1
Total comprehensive income for the year	**182.4**	**(1,889.7)**	**(21.2)**	**(430.8)**
Dividends received by the Group	**49.5**	**42.4**	**–**	**–**

	2016 $m	2015 $m
Share of investees' net profit/(loss)		
Investments in associates		
Seven West Media Limited	75.5	(342.5)
Individually immaterial associates[(a)]	13.9	3.2
Investments in joint ventures		
Coates Group Holdings Pty Limited	(6.0)	(43.1)
Individually immaterial joint ventures	7.6	5.0
Share of net profit/(loss) of equity accounted investees	**91.0**	**(377.4)**

(a) A distribution of $13.8 million was received during the year from Revy Investment Trust following the successful settlement of the sale of Building C in Jones Bay Wharf, Pyrmont, New South Wales.

	2016 $m	2015 $m
Market values of listed investments accounted for using the equity method		
Seven West Media Limited		
Book value	655.8	631.1
Market value	655.8	631.1

An impairment expense of $0.4 million (2015: impairment reversal of $14.7 million) relating to the Group's investment in Seven West Media was recognised in profit or loss during the year.

Coates Hire recoverable value

The Group assessed the recoverable value of its investment in Coates Hire as a result of a below budget net loss after tax for the year incurred by the business. At 30 June 2016, the recoverable amount of the Group's investment in Coates Hire exceeded its carrying value.

The recoverable amount of the Group's investment in Coates Hire was determined using value-in-use calculations. These calculations use discounted cash flow projections based on financial budgets approved by the board covering a five year period plus terminal value.

Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which Coates Hire operates.

	2016 Growth rate[(a)] %	2016 Discount rate (pre-tax)[(b)] %	2015 Growth rate[(a)] %	2015 Discount rate (pre-tax)[(b)] %
Value-in-use				
Coates Hire	2.50	11.84	2.50	11.79

(a) The weighted average growth rate used to extrapolate cash flows beyond the budget or forecast period.

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FOR THE YEAR ENDED 30 JUNE 2016

12. PROPERTY, PLANT AND EQUIPMENT

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is capitalised in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance is charged to the profit or loss during the reporting period in which they are incurred.

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

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

Buildings	40 years
Leasehold improvements	1 – 25 years
Plant and equipment	2 – 12 years

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

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

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

	Freehold land and buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
Year ended 30 June 2016				
Movement in property, plant and equipment				
Carrying amount at beginning of the year	**41.8**	**48.5**	**126.0**	**216.3**
Additions	–	2.1	6.1	8.2
Disposals	(4.8)	–	(0.3)	(5.1)
Depreciation	(1.0)	(3.9)	(26.3)	(31.2)
Exchange differences	(0.2)	0.1	(0.3)	(0.4)
Other[(a)]	(10.3)	(0.9)	(4.6)	(15.8)
Carrying amount at end of the year	**25.5**	**45.9**	**100.6**	**172.0**
At cost	36.0	72.0	263.9	371.9
Accumulated depreciation	(10.5)	(26.1)	(163.3)	(199.9)
Total property, plant and equipment	**25.5**	**45.9**	**100.6**	**172.0**
Year ended 30 June 2015				
Movement in property, plant and equipment				
Carrying amount at beginning of the year	**43.9**	**49.4**	**144.0**	**237.3**
Additions	–	2.3	13.2	15.5
Acquisition from business combination	–	–	0.4	0.4
Disposals	–	–	(0.8)	(0.8)
Depreciation	(3.6)	(3.9)	(36.0)	(43.5)
Exchange differences	1.5	0.8	2.6	4.9
Other[(a)]	–	(0.1)	2.6	2.5
Carrying amount at end of the year	**41.8**	**48.5**	**126.0**	**216.3**
At cost	51.6	72.1	280.5	404.2
Accumulated depreciation	(9.8)	(23.6)	(154.5)	(187.9)
Total property, plant and equipment	**41.8**	**48.5**	**126.0**	**216.3**

(a) Other includes net transfer from or to inventory, impairments and reclassifications.

13. PRODUCING AND DEVELOPMENT ASSETS

Accounting policy

Producing and development assets are carried at historical cost.

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 proved and probable (2P) reserve production profiles and various estimates and assumptions. For the purposes of assessing impairment, the recoverable amount of the cash generating unit (CGU) was estimated as its fair value less costs of disposal using a discounted cash flow methodology (DCF). The post tax discount rates that have been applied range between 8.1% to 10% (2015: between 9% to 10%).

Estimates on reserve quantities

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

	2016 $m	2015 $m
Movement in producing and development assets		
Carrying amount at beginning of the year	**208.5**	**45.1**
Additions	5.9	40.8
Acquisition from business combination[(a)]	–	101.6
Depreciation	(3.0)	(10.5)
Exchange differences	3.1	16.2
Transfer	–	23.5
Other	–	(8.2)
Carrying amount at end of the year	**214.5**	**208.5**
At cost	228.3	219.0
Accumulated depreciation	(13.8)	(10.5)
Total producing and development assets	**214.5**	**208.5**

(a) The Group's investment in the Crux AC/RL9 joint venture operation has been reclassified from a development asset to an exploration and evaluation asset, consistent with the characterisation adopted by the operator, Shell Australia Pty Ltd. This adjustment was made as part of finalising the accounting for the acquisition of Nexus Energy Limited (now known as SGH Energy Pty Limited) during the year. The comparative information has been restated.

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 venture operation in Texas, USA.

Principal activities	Operator of joint venture operation	UNINCORPORATED INTEREST 2016 %	UNINCORPORATED INTEREST 2015 %
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.

During the year, no impairment expense has been recognised in respect of the Group's producing and development assets (2015: nil).

A sensitivity analysis was performed on the recoverable value of the Group's Bivins Ranch producing asset produced 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.

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 and loss.

	2016 $m	2015 $m
Movement in exploration and evaluation assets		
Carrying amount at beginning of the year	**238.5**	**25.6**
Additions	6.9	0.3
Acquisition from business combination[(a)]	–	230.0
Exploration costs expensed	(0.3)	(2.1)
Restoration provision[(b)]	(27.1)	–
Transfer	–	(23.5)
Other	–	8.2
Carrying amount at end of the year	**218.0**	**238.5**
At cost	218.0	238.5
Accumulated amortisation	–	–
Total exploration and evaluation assets	**218.0**	**238.5**

(a) The Group's investment in the Crux AC/RL9 joint venture operation has been reclassified from a development asset to an exploration and evaluation asset, consistent with the characterisation adopted by the operator, Shell Australia Pty Ltd. This adjustment was made as part of finalising the accounting for the acquisition of Nexus Energy Limited (now known as SGH Energy Pty Limited) during the year. The comparative information has been restated.

(b) The plug and abandonment work for the Crux asset was completed during the year, resulting in a write-back of the provision and corresponding restoration asset.

Exploration and evaluation assets are located in Australia.

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 venture operation. The Group has disclosed its interests in the following permits:

			UNINCORPORATED INTEREST	
Petroleum exploration permit/licence	Principal activities	Operator of joint venture operation	2016 %	2015 %
AC/RL9	Oil and gas exploration	Shell Australia Pty Ltd	15.0%	15.0%

The Group continues to work with Shell Australia Pty Ltd as operator and fellow Crux AC/RL9 joint venture partners in conducting the necessary technical feasibility studies, as well as evaluating commercialisation and development options for the Crux asset to enable concept select decision by the end of the Retention Lease period in February 2018.

There are no facts or circumstances indicating an impairment of the asset under AASB 6: *Exploration and Evaluation of Mineral Resources* at 30 June 2016.

Contingent liabilities in respect of joint venture operations are detailed in Note 26: Contingent Liabilities. Exploration expenditure commitments and capital commitments in respect of joint venture operations are detailed in Note 27: Commitments.

15. INTANGIBLE ASSETS

Accounting policy

Distribution networks

The distribution networks of the Group are considered by the Directors to be identifiable intangible assets.

The Directors are of the opinion that the distribution networks have an indefinite useful life, and as such the distribution networks are not subject to amortisation but rather are tested annually for impairment or more frequently if events or changes in circumstances indicate impairment. The basis for the classification of indefinite life is that the dealership agreements do not require specific renewal over set intervals thus the distribution rights continue uninterrupted unless a cause to terminate is triggered.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/equity accounted investee at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of equity accounted investees is included in investments accounted for using the equity method.

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

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

Impairment of intangible assets

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

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less cost of disposal.

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Dependency on key suppliers

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

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

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

Impairment of intangible assets

In accordance with AASB 136 *Impairment of Assets*, the recoverable amount of assets is the greater of its value-in-use and its fair value less cost of disposal. In the absence of quoted market prices, an asset's value-in-use or fair value less cost of disposal is calculated by estimating the present value of future cash flows using an asset specific discount rate. These calculations also require the use of assumptions regarding profit margins, growth rates and discount rates.

	Distribution network $m	Goodwill $m	Other[a] $m	Total $m
Year ended 30 June 2016				
Movement in intangible assets				
Carrying amount at beginning of the year	**637.6**	**9.2**	**18.7**	**665.5**
Additions	–	–	22.5	22.5
Amortisation	–	–	(3.8)	(3.8)
Exchange differences	10.7	–	–	10.7
Carrying amount at end of the year	**648.3**	**9.2**	**37.4**	**694.9**
At cost	879.8	69.1	91.4	1,040.3
Accumulated impairment	(231.5)	(59.9)	(9.2)	(300.6)
Accumulated amortisation	–	–	(44.8)	(44.8)
Total intangible assets	**648.3**	**9.2**	**37.4**	**694.9**
Year ended 30 June 2015				
Movement in intangible assets				
Carrying amount at beginning of the year	**783.6**	**53.1**	**12.5**	**849.2**
Additions	–	–	23.4	23.4
Acquisition from business combination[b]	2.0	1.9	–	3.9
Amortisation	–	–	(8.1)	(8.1)
Impairment	(231.5)	(59.9)	(9.2)	(300.6)
Transfer[c]	(14.1)	14.1	–	–
Exchange differences	97.6	–	0.1	97.7
Carrying amount at end of the year	**637.6**	**9.2**	**18.7**	**665.5**
At cost	869.1	69.1	68.9	1,007.1
Accumulated impairment	(231.5)	(59.9)	(9.2)	(300.6)
Accumulated amortisation	–	–	(41.0)	(41.0)
Total intangible assets	**637.6**	**9.2**	**18.7**	**665.5**

(a) Other includes intellectual property, customer contracts, software and brand names.

(b) Comparative has been restated as required by AASB 3: *Business Combinations*, reflecting the finalisation of the acquisition accounting of Nexus Energy Limited (now known as SGH Energy Pty Limited).

(c) Transfer relates to finalising purchase price accounting adjustments in the prior year on the acquisition of Bucyrus China.

15. INTANGIBLE ASSETS (CONTINUED)

Impairment of intangible assets

(a) Impairment tests for goodwill and distribution network

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

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

	WesTrac Australia $m	WesTrac China $m	Total $m
Year ended 30 June 2016			
Goodwill	9.2	–	9.2
Distribution network	321.0	327.3	648.3
Total goodwill and distribution network	**330.2**	**327.3**	**657.5**
Year ended 30 June 2015			
Goodwill	9.2	–	9.2
Distribution network	321.0	316.6	637.6
Total goodwill and distribution network	**330.2**	**316.6**	**646.8**

WesTrac Australia distribution network and goodwill

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

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

WesTrac China distribution network

Following a below budget operating profit for the year ended 30 June 2016, the Group assessed the recoverable amount of the WesTrac China CGU.

The recoverable amount of the WesTrac China distribution network was assessed on a fair value less cost of disposal basis, estimated using discounted cash flow projections in United States Dollars, the functional currency of the WesTrac China CGU.

Fifteen years of cash flows were included in the discounted cash flow model which is consistent with independent valuation methodologies utilised in previous years. The recoverable amount calculations use discounted cash flow projections based on financial budgets and forecasts approved by management for the first three years, then budgeted/forecasted growth rates until the terminal year which is extrapolated at a terminal growth rate of 4%. In determining the appropriate cash flows, assumptions were made regarding discount rate, terminal value growth rates, sales growth and gross margins.

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

At 30 June 2016, the recoverable amount of the CGU was determined to be higher than its carrying amount by $51.9 million. However, as any adverse change in a key assumption may result in a further impairment, no reversal of the $237.6 million impairment loss incurred in the prior year has been recognised at 30 June 2016.

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

	2016 Growth rate[a] %	2016 Discount rate (pre-tax)[b] %	2015 Growth rate[a] %	2015 Discount rate (pre-tax)[b] %
Value-in-use				
Caterpillar distribution network – Australia	3.00	11.68	3.00	13.32
AllightSykes	–	–	2.50	11.78
Fair value less cost of disposal				
Caterpillar distribution network – China[c]	4.00	11.57	4.00	11.89

(a) The weighted average growth rate used to extrapolate cash flows beyond the budget or forecast period.

(b) The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

(c) Key drivers of the forecast include general growth in China's mining industry, heavy machinery volume growth, increased market share and operating margins. The growth rate of 4% represents the terminal growth rate after 15 years. The growth rate assumed for the period prior to 15 years is based on budgets and forecasts up to 2019 and then extrapolated based on forecast growth consistent with growth forecasts for the region. These percentage growth forecasts are based on the latest economic forecasts for China and do not exceed the growth forecasts for the region.

16. PROVISIONS

Accounting policy

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

Provisions are not recognised for future operating losses.

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

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

Service warranties	A service warranties provision is made for the estimated liability on products under warranty at balance date. This provision is estimated having regard to service warranty experience. Other warranty costs are accrued as and when the liability arises.
Restoration	A provision for restoration is recognised when there is a legal or constructive obligation to do so. A corresponding restoration asset amount is created equivalent to the amount of the provision. The amount recognised is the estimated cost of restoration, discounted to its net present value. This is reassessed each year in accordance with local conditions and requirements.
Restructuring	A provision for restructuring is recognised when steps have been taken to implement a detailed plan, including discussions with affected personnel, with employee related costs recognised over the period of any required future service.
Onerous contracts	An onerous contract is a contract, including an operating lease, in which the unavoidable cost of meeting the obligations under the contract exceeds the economic benefit expected to be received.

16. PROVISIONS (CONTINUED)

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.

	Service warranties $m	Restoration[(a)] $m	Onerous contracts $m	Other $m	Total $m
Year ended 30 June 2016					
Movement in provisions					
Balance at beginning of the year	**32.4**	**74.9**	**13.5**	**11.7**	**132.5**
Amounts provided for	9.7	–	0.2	11.2	21.1
Amounts used	(13.7)	–	(3.1)	(11.0)	(27.8)
Write-back of provision	–	(27.1)	–	–	(27.1)
Exchange differences	(0.4)	(0.1)	–	–	(0.5)
Transfer	(2.2)	–	–	2.2	–
Unwind of discount	–	2.4	–	–	2.4
Balance at end of the year	**25.8**	**50.1**	**10.6**	**14.1**	**100.6**
Current	25.8	2.1	7.8	14.1	49.8
Non-current	–	48.0	2.8	–	50.8
Total provisions	**25.8**	**50.1**	**10.6**	**14.1**	**100.6**
Year ended 30 June 2015					
Movement in provisions					
Balance at beginning of the year	**49.1**	**–**	**8.5**	**8.2**	**65.8**
Amounts assumed in a business combination[(a)]	–	92.5	3.0	4.0	99.5
Amounts provided for	11.5	9.3	6.0	0.4	27.2
Amounts used	(28.9)	(29.4)	(4.0)	(0.9)	(63.2)
Exchange differences	0.7	–	–	–	0.7
Unwind of discount	–	2.5	–	–	2.5
Balance at end of the year	**32.4**	**74.9**	**13.5**	**11.7**	**132.5**
Current	32.4	29.4	9.8	11.7	83.3
Non-current	–	45.5	3.7	–	49.2
Total provisions	**32.4**	**74.9**	**13.5**	**11.7**	**132.5**

(a) Comparative has been restated as required by AASB 3: *Business Combinations*, reflecting the finalisation of the acquisition accounting of Nexus Energy Limited (now known as SGH Energy Pty Limited).

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.
Onerous contracts	Onerous contract provisions are recognised for the Group's obligations under onerous property leases and other onerous contracts.
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 and make good obligations.

17. EMPLOYEE BENEFITS

Accounting policy

Employee benefits

Employee benefits include provisions for annual leave, long service leave and amounts provided for Director retirement benefits. The current provision for long service leave includes all unconditional entitlements where employees have completed the required service period and those where employees are entitled to pro-rata payments in certain circumstances.

The majority of the amount is presented as current, since the Group does not have an unconditional right to defer settlement.

However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in provisions in respect of employees services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

The Group contributes to a superannuation fund which provides accumulated contribution plans. Contributions are charged against the profit or loss in the period to which they relate.

Share based payments

The fair value of options granted under the Company's cash-settled option plan is recognised as an employee benefit expense with a corresponding increase in liability. The expense and the liability incurred are measured at the fair value of the liability.

The fair value at grant date is independently determined using Black-Scholes and Binomial option pricing models that take into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable 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 and performance rights 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, including deferred short-term incentives, 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.

	2016 $m	2015 $m
Current		
Annual leave	25.5	23.9
Long service leave	11.3	13.4
Total employee benefits – current	**36.8**	**37.3**
Non-current		
Long service leave[(a)]	11.7	7.3
Other	0.8	0.8
Total employee benefits – non-current	**12.5**	**8.1**

(a) Comparative has been restated as required by AASB 3: *Business Combinations*, reflecting the finalisation of the acquisition accounting of Nexus Energy Limited (now known as SGH Energy Pty Limited).

Superannuation contributions

The Group makes contributions on behalf of employees to a defined contribution superannuation fund. The amount recognised as an expense was $30.9 million (2015: $31.7 million) for the year ended 30 June 2016.

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.

	2016 $m	2015 $m
Bank balances	232.2	193.0
Call deposits	134.6	97.7
Total cash and cash equivalents	**366.8**	**290.7**
Cash and cash equivalents in the cash flow statement	**366.8**	**290.7**

19. NOTES TO THE CASH FLOW STATEMENT

	2016 $m	2015 $m
Reconciliation of profit/(loss) for the year to net cash flows related to operating activities		
Profit/(loss) after tax	**197.8**	**(359.1)**
Depreciation and amortisation:		
Property, plant and equipment	31.2	43.5
Producing and development assets	3.0	10.5
Intangible assets	3.8	8.1
Share option expense	1.7	1.1
Gain on sale of property, plant and equipment	(0.5)	–
Gain on sale of investments and equity accounted investees	(7.9)	(36.5)
Loss on sale of investments and derivative financial instruments	9.1	37.6
Impairment of equity accounted investees	0.4	99.3
Impairment of non-current assets	–	327.0
Fair value movement of derivatives	(5.2)	4.4
Share of results from equity accounted investees	(91.0)	377.4
Dividends received from equity accounted investees	73.8	47.0
Other investment income	–	(37.9)
Interest income on loans receivable – Nexus Energy Limited (pre-acquisition)	–	(10.9)
Finance fee income – Nexus Energy Limited (pre-acquisition)	–	(16.3)
Other	(4.0)	3.0
Movement in:		
Trade and other receivables	(78.2)	117.9
Inventories	115.7	(72.6)
Other assets	12.8	(1.3)
Trade and other payables/deferred income	45.6	39.0
Provisions	(0.9)	(14.1)
Tax balances	7.2	(280.0)
Net operating cash flows	**314.4**	**287.1**

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 de-recognised 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.

	2016 $m	2015 $m
Current		
Interest bearing liabilities	37.7	32.8
Non-interest bearing liabilities	80.0	40.0
Fixed term US dollar notes	101.0	–
Finance lease liabilities	1.4	6.4
Total interest bearing loans and borrowings – current	**220.1**	**79.2**
Non-current		
Interest bearing liabilities	869.6	832.2
Fixed term US dollar notes	648.1	725.9
Less: capitalised borrowing costs net of accumulated amortisation	(4.1)	(5.6)
Finance lease liabilities	0.6	3.6
Total interest bearing loans and borrowings – non-current	**1,514.2**	**1,556.1**

The current interest bearing liabilities of $37.7 million (2015: $32.8 million) relate to the Group's working capital facilities. These liabilities are drawn from rolling short dated facilities within Australia of $288.7 million (2015: $262.1 million) and China $241.9 million (2015: $196.3 million) and are generally reviewed annually. These liabilities are unsecured.

At 30 June 2016, the Group had available undrawn borrowing facilities of $954.9 million (2015: $966.5 million) and also had access to unutilised short dated lines of credit totalling $184.6 million (2015: $205.4 million).

On 2 February 2016, the Group negotiated the extension of the corporate syndicated loan facility. The facility was extended by 12 months, however the limit was decreased from $900.0 million to $850.0 million for the extension year. The facility is non-amortising and will now mature on 16 February 2020. The facility is unsecured and supported by guarantees by the Company and various subsidiaries within the Group.

The $431.0 million facility with Caterpillar Financial Australia Limited has been extended for a further four years and will now mature on 15 July 2021. This facility is guaranteed by various subsidiaries within the Group.

The Group's interest bearing liabilities (including derivatives) had a weighted average interest rate of 6.05% (2015: 7.74%) for the year ended 30 June 2016, including margins and unused line fees.

Lease liabilities are effectively secured as the rights to the assets revert to the financier in the event of default.

Details of the fair values of each of the borrowings as well as the Group's exposure to interest rate, foreign currency and liquidity risk related to interest bearing loans and borrowings is disclosed in Note 21: Financial Risk Management.

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Fixed term US dollar notes

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 $520.0 million (2015: USD $520.0 million). Series E (2011) USD $50.0 million 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	2016 Amount USD $m	2016 Spot amount AUD $m	2015 Amount USD $m	2015 Spot amount AUD $m	Hedged amount AUD $m	Interest rate (incl. margin) %	Maturity date
Series B	2006	75.0	101.0	75.0	97.7	108.8	7.48%	23 Aug 16
Series C	2006	55.0	74.1	55.0	71.6	80.3	7.50%	23 Aug 18
Series D	2006	30.0	40.4	30.0	39.1	43.9	7.53%	23 Aug 20
Series E	2006	85.0	114.4	85.0	110.6	125.2	7.56%	23 Aug 21
Series A	2011	45.0	60.6	45.0	58.6	43.8	3.99%	7 Jun 23
Series B	2011	55.0	74.1	55.0	71.6	53.6	4.21%	7 Jul 23
Series C	2011	75.0	101.0	75.0	97.7	73.1	4.04%	7 Jun 26
Series D	2011	100.0	134.7	100.0	130.2	97.4	4.21%	7 Jul 26
Series E	2011	–	48.8	–	48.8	48.8	7.96%	7 Jul 41
		520.0	**749.1**	**520.0**	**725.9**	**674.9**		

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	2016 $m	2015 $m
Financial assets/(liabilities)			
Cash and cash equivalents	18	366.8	290.7
Financial assets/(liabilities) carried at amortised cost			
Trade and other receivables	8	542.7	489.2
Trade and other payables (excluding accruals)	9	(330.9)	(345.1)
Fixed term US dollar notes	20	(749.1)	(725.9)
Interest bearing loans and borrowings	20	(985.2)	(909.4)
Financial assets carried at fair value through other comprehensive income[a]			
Listed equity securities (excluding derivatives)	22	892.4	1,097.6
Unlisted equity securities	22	82.2	43.3
Financial assets/(liabilities) carried at fair value through profit or loss			
Derivative financial assets	23	186.1	144.6
Derivative financial liabilities	23	(25.2)	(41.2)
Total financial assets and financial liabilities		**(20.2)**	**43.8**

(a) Comparative relates to available-for-sale financial assets prior to the transition to AASB 9.

(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) and Hong Kong Dollar (HKD).

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, creating an economic hedge. Payments and receipts are made from and to the Group's USD denominated bank account.
- external forward contracts and options are used to manage foreign exchange risk. Contracts are entered into on a transaction by transaction basis to hedge specific purchases, sales and borrowings.

The Group's foreign exchange risk from recognised assets and liabilities arises primarily from WesTrac's long term USD denominated borrowings (refer to Note 20: Interest Bearing Loans and Borrowings). The Group effectively hedges its long-term foreign denominated borrowings using a combination of designated forward exchange contracts and cross currency swaps. At times, the Company may choose to hold cash positions in USD to hedge against anticipated weakening in the AUD.

The financial statements for foreign group companies that have a functional currency different from Australian Dollars are translated into Australian Dollars on consolidation in accordance with Note 1(C): Foreign Currency Translation. Exchange differences arising from the translation are taken to reserves and as such the individual account balances of these Group companies are excluded from the table below.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Excluding assets and liabilities for foreign Group entities translated in accordance with Note 1, the Group's exposure to foreign currency risk was as follows, based on notional amounts:

	USD m	HKD m	IDR m
As at 30 June 2016			
Cash and cash equivalents	145.4	0.1	–
Trade and other receivables	18.3	–	–
Trade and other payables	(28.1)	–	–
Borrowings	(520.0)	–	–
Derivative financial instruments	135.3	–	–
Closing exchange rates[(a)]	0.7426	5.7617	9,790
As at 30 June 2015			
Cash and cash equivalents	84.0	666.1	29.2
Trade and other receivables	50.9	–	–
Trade and other payables	(49.3)	–	–
Borrowings	(520.0)	–	–
Derivative financial instruments	92.3	–	–
Closing exchange rates[(a)]	0.7680	5.9536	10,228

(a) Closing exchange rates at 30 June as reported by the Reserve Bank of Australia at 4pm (AEST).

Sensitivity analysis

As at 30 June 2016 the closing AUD/USD exchange rate, as reported by the Reserve Bank of Australia at 4pm (AEST) was 0.7426 (2015: 0.7680). A foreign currency sensitivity of +/- 10% has been selected and is considered reasonable given the historical AUD/USD exchange rates prevailing in the year ended 30 June 2016. During this period the average AUD/USD exchange rate was 0.7283 (2015: 0.8382) and traded within a range of 0.6867 and 0.7812 (2015: 0.7590 and 0.9458).

At 30 June 2016, had the AUD/USD exchange rate moved by 10%, with all other variables held constant, post tax profit/(loss) and equity would have been affected as illustrated in the table below:

	2016 Profit/(loss) $m	2016 Equity $m	2015 Profit/(loss) $m	2015 Equity $m
Judgement of reasonably possible movements				
AUD to USD +10%	(9.1)	(6.1)	8.8	1.0
AUD to USD -10%	11.2	8.0	(10.8)	(11.0)

Adverse versus favourable movements are determined relative to the net underlying exposure. An adverse movement in exchange rates implies an increase in the Group's foreign currency exposure leading to deterioration in the Group's financial position. A favourable movement in exchange rates implies a decrease in the Group's foreign currency exposure and an improvement in the Group's financial position.

The Group's exposure to other foreign exchange movements is not material.

(ii) Interest rate risk

The Group's exposure to interest rate risk arises from AUD cash deposits and borrowings which are at variable interest rates in AUD, USD, HKD and RMB. Generally, long term fixed rate borrowings are obtained in the USA and Australia, while shorter term variable borrowings are denominated in local Australian and Chinese currencies and expose the Group to interest rate risk. The Group manages this risk by using derivative financial instruments including interest rate swaps to fix interest rate exposure.

As at 30 June 2016, 59% (2015: 66%) of the Group's total borrowings were subject to fixed interest rates or were effectively hedged with derivative financial instruments.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian, United States, Hong Kong and Chinese variable interest rate risk:

	2016 $m	2015 $m
Financial assets		
Cash and cash equivalents	232.1	193.0
	232.1	**193.0**
Financial liabilities		
Interest bearing liabilities	(711.8)	(557.7)
	(711.8)	**(557.7)**

The following table shows the annualised impact on profit or loss and equity of interest bearing assets and liabilities if floating interest rates at balance date had been 1% (100 basis points) higher or lower for the year, with all other variables held constant.

	2016 Profit/(loss) $m	2016 Equity $m	2015 Profit/(loss) $m	2015 Equity $m
If interest rates were 1% (100 basis points) higher with all other variables held constant – increase/(decrease)	(3.4)	–	(2.6)	–
If interest rates were 1% (100 basis points) lower with all other variables held constant – increase/(decrease)	3.4	–	2.6	–

(iii) Equity price risk

Equity price risk refers to the risk that the value of a financial instrument or its associated cash flows will fluctuate due to changes in the underlying share prices.

The Group has exposure to equity price risk arising from its portfolio of listed equity securities. The Group utilises derivatives to hedge this exposure as well as to gain economic exposure to equity securities.

The Group may also be exposed to equity price risk through its holdings of listed investments accounted for using the equity method and as part of the Group's impairment assessment process.

The following table shows the impact on the profit or loss and equity of the Group if equity prices at balance date had been 15% higher or lower, with all other variables held constant. A sensitivity of 15% is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movement.

	2016 Profit/(loss) $m	2016 Equity $m	2015 Profit/(loss) $m	2015 Equity $m
If share prices were 15% higher with all other variables constant – increase/(decrease)	0.4	93.7	18.7	98.4
If share prices were 15% lower with all other variables constant – increase/(decrease)	(0.5)	(93.7)	(19.3)	(98.4)

(iv) Commodity price risk

The Group has an operating interest in oil and gas assets located in Australia and the United States of America. These investments expose the Group to commodity price risk from fluctuations in the prices of oil, natural gas and other condensates and natural gas liquids (NGLs). The Group does not currently hedge its exposure to commodity price risk.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk refers to the risk that the Group is unable to meet its financial commitments as and when they fall due.

The Group employs a prudent liquidity risk management approach. This involves maintaining a large amount of liquid reserves (cash deposits, listed shares and available credit lines) that can be drawn or sold at short notice to meet the Group's financial commitments. Management monitors the Group's ongoing cash flow requirements on a daily basis. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping credit lines available.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	2016 $m	2015 $m
Floating rate		
Expiring within one year	492.9	426.5
Expiring beyond one year	462.0	540.0
	954.9	**966.5**
Additional liquidity		
Cash and cash equivalents	366.8	290.7
Financial assets carried at fair value through other comprehensive income – listed equity securities[(a)]	892.4	1,097.6
Unutilised short dated lines of credit	184.6	205.4
	1,443.8	**1,593.7**

(a) Comparative relates to available-for-sale financial assets prior to the transition to AASB 9.

Subject to continued compliance with facility terms, the facilities may be drawn at any time. The average maturity for drawn facilities is 5.3 years (2015: 5.1 years) and 2.0 years (2015: 2.1 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 2016						
Trade and other payables (excluding accruals)	330.9	–	–	–	330.9	330.9
Borrowings – variable rate						
– principal (including derivative)	7.1	0.4	434.0	167.9	609.4	529.8
– coupon interest and derivative	26.6	26.6	52.5	39.9	145.6	–
Borrowings – fixed rate						
– principal (including derivative)	220.7	0.1	124.3	705.5	1,050.7	1,038.5
– coupon interest and derivative	51.7	47.0	127.5	89.7	315.9	0.6
Interest rate derivative contracts						
	639.4	**74.1**	**738.2**	**1,003.1**	**2,454.9**	**1,899.8**
Year ended 30 June 2015						
Trade and other payables (excluding accruals)	345.1	–	–	–	345.1	345.1
Borrowings – variable rate						
– principal (including derivative)	31.9	2.2	370.0	267.9	672.0	415.6
– coupon interest and derivative	19.7	19.7	54.9	16.6	110.9	–
Borrowings – fixed rate						
– principal (including derivative)	46.4	110.1	585.3	174.0	915.8	1,101.3
– coupon interest and derivative	61.6	54.5	75.4	137.7	329.2	3.2
	504.7	**186.5**	**1,085.6**	**596.2**	**2,373.0**	**865.2**

(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	2016 $m	2015 $m
Cash and cash equivalents	18	366.8	290.7
Trade and other receivables	8	542.7	489.2
Listed equity securities (excluding derivatives)	22	892.4	1,097.6
Unlisted equity securities	22	82.2	43.3
Derivative financial instruments	23	186.1	144.6
		2,070.2	**2,065.4**

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.

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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. On transition to AASB 9, the Group elected that the fair value adjustments on the Group's existing listed and unlisted equity securities would now be recorded in other comprehensive income and not subsequently reclassified to profit or loss.

The fair value of forward foreign exchange contracts are determined using quoted forward exchange rates at the reporting date.

The fair value of interest rate swaps and cross currency interest rate swaps are calculated using the present value of the estimated future cash flows of these instruments.

The fair value of equity derivatives are calculated based on the closing bid price of the underlying equities.

Financial instruments not measured at fair value

The interest rates used to discount estimated cash flows relating to the fixed term US dollar notes were 1.8% to 5.1% (2015: 1.9% to 6.2%) 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 5.5% (2015: 5.2%).

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	2016 Carrying amount $m	2016 Fair value $m	2015 Carrying amount $m	2015 Fair value $m
Financial assets measured at fair value						
Listed equity securities (excluding derivatives)[(a)]	22	1	892.4	892.4	1,097.6	1,097.6
Unlisted equity securities	22	3	82.2	82.2	43.3	43.3
Forward foreign exchange contracts – used for hedging			0.7	0.7	2.5	2.5
Cross currency swaps – used for hedging	23	2	184.4	184.4	142.1	142.1
Equity derivatives	23	2	1.0	1.0	–	–
			1,160.7	**1,160.7**	**1,285.5**	**1,285.5**
Financial assets not measured at fair value						
Cash and cash equivalents	18	–	366.8	366.8	290.7	290.7
Trade and other receivables	8	–	542.7	542.7	489.2	489.2
			909.5	**909.5**	**779.9**	**779.9**
Financial liabilities measured at fair value						
Forward foreign exchange contracts – used for hedging	23	2	17.7	17.7	27.2	27.2
Cross currency swaps – used for hedging	23	2	2.1	2.1	–	–
Interest rate swaps – used for hedging	23	2	1.5	1.5	6.6	6.6
Equity derivatives	23	2	3.9	3.9	7.4	7.4
			25.2	**25.2**	**41.2**	**41.2**
Financial liabilities not measured at fair value						
Trade and other payables (excluding accruals)	9	–	330.9	330.9	345.1	345.1
Fixed term US dollar notes	20	2	749.1	831.9	725.9	777.5
Other borrowings	20	2	985.2	985.2	909.7	910.4
			2,065.2	**2,148.0**	**1,980.4**	**2,033.0**

(a) Comparative relates to available-for-sale financial assets prior to the transition to AASB 9.

There were no transfers between the fair value hierarchy levels during the year ended 30 June 2016.

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 through OCI 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 uses a market based valuation technique and the discounted cash flow (DCF) method to calculate the fair value of its underlying positions. Under the DCF method, the investment's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the investment's life including estimated income and terminal value.

This involves the projection of a series of cash flows and to this an appropriate, market derived discount rate is applied to establish the present value of the income stream.

Valuation process for Level 3 valuations

The valuation of unlisted equity is performed on a quarterly basis by the investment fund's manager and reviewed by their investment committee. The valuations are also subject to quality assurance procedures performed within the investment fund.

The investment fund manager verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the fund's investment committee.

The fund's investment committee considers the appropriateness of the valuation methods and inputs, and may request that alternate valuation methods are applied to support the valuations arising from the method chosen. Any changes in valuation methods are discussed and agreed with the investment partners.

The investment fund presents the valuation results on a quarterly basis to the Group. The report includes a discussion of the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with fair value changes outside of the relevant thresholds set out above. The Group's investment committee regularly reviews this information and assesses the performance of the Group's investment.

Quantitative information on significant unobservable inputs – Level 3

Description	Valuation technique	Unobservable input	2016 Range	2015 Range
Unlisted equity investments	P/E multiple	Average P/E multiple of peers	22.9x	26.1x
		Discount for lack of liquidity	25%	25%
	EV/sales multiple	Average EV/sales multiple of peers	7.28x	1.0x–5.6x
		Discount for lack of liquidity	25%	15%–25%
	DCF	Discount rate	–	20%
		Terminal growth rate	–	2%
		Discount for lack of liquidity	–	15%

Reconciliation – Level 3

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3.

	2016 $m	2015 $m
Balance at the beginning of the year	43.3	14.7
Contributions, net of capital returns	11.3	19.3
Fair value gains	27.6	9.3
Balance at the end of the year	**82.2**	**43.3**

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 2016			
Financial assets			
Forward foreign exchange contracts – used for hedging	0.7	–	0.7
Cross currency swaps – used for hedging	184.4	14.4	170.0
Equity derivatives	1.0	0.9	0.1
	186.1	**15.3**	**170.8**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	17.7	–	17.7
Cross currency swaps – used for hedging	2.1	–	2.1
Interest rate swaps – used for hedging	1.5	–	1.5
Equity derivatives	3.9	6.8	(2.9)
	25.2	**6.8**	**18.4**
Year ended 30 June 2015			
Financial assets			
Forward foreign exchange contracts – used for hedging	2.5	2.5	–
Cross currency swaps – used for hedging	142.1	25.2	116.9
	144.6	**27.7**	**116.9**
Financial liabilities			
Forward foreign exchange contracts – used for hedging	27.2	21.1	6.1
Interest rate swaps – used for hedging	6.6	6.6	–
Equity derivatives	7.4	–	7.4
	41.2	**27.7**	**13.5**

At 30 June 2016, the Group held various types of derivative financial instruments that were designated as cash flow hedges of future forecast transactions. These were hedging of:

- future foreign currency operational payments by exchange derivative contracts (forwards);
- future foreign currency principal and coupon payments by exchange derivative contracts (forwards, swaps);
- future interest payments by interest rate derivative contracts (swaps).

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 and 5 years $m	Over 5 years $m	Total $m
Year ended 30 June 2016				
Contracts to hedge				
Future operational (sales and purchases)	0.3	–	–	0.3
Future principal and interest on USPP	(9.5)	(4.5)	180.1	166.0
Total net gain/(loss) included in hedge reserve	**(9.2)**	**(4.5)**	**180.1**	**166.3**
Year ended 30 June 2015				
Contracts to hedge				
Future operational (sales and purchases)	(0.4)	–	–	(0.4)
Future principal and interest on USPP	(3.7)	(19.3)	135.2	112.2
Total net gain/(loss) included in hedge reserve	**(4.1)**	**(19.3)**	**135.2**	**111.8**

Hedge accounting

	As at 30 June 2016							
	Nominal amount of hedging instrument and hedged item $m	Hedge rates $m	Carrying amount of the hedging instrument		Change in value of the hedging instrument used for calculating hedge ineffectiveness for 2016 $m	Change in the value of the hedged item used for calculating hedge ineffectiveness for 2016 $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from cash flow hedge reserve to profit and loss $m
			Assets $m	Liabilities $m				
Cash flow hedges								
Future operational (sales and purchases) (up to 12 months)	AUD $40.8	AUD/USD 0.68-0.76	0.5	(0.2)	0.2	(0.1)	–	–
Future principal and interest on USPP (up to 10 years)	AUD $700.2	AUD/USD 0.68-1.03	184.4	(16.8)	76.6	(91.7)	–	–
Future interest on floating rate debt (up to 1 month)	AUD $100	Fixed 4.8%	–	(1.5)	0.2	(0.1)	0.3	0.3

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management

The Group manages its capital to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure while maximising shareholder value. As such, the Board regularly reviews the Group's capital structure in order to take advantage of favourable costs of capital and returns on assets.

The Company maintains a diversified capital base with a mixture of equity and debt funding. Equity funding comprises both ordinary shares and preference shares (TELYS4).

The Group's dividend policy is to distribute cash from operating activities after financing costs, subject to the retention of adequate cash reserves to capitalise on investment opportunities. Dividends are franked to the greatest extent possible.

Refer to Note 25: Dividends for details of dividends paid and proposed but not provided for during the current year.

22. OTHER FINANCIAL ASSETS

Accounting policy

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (FVTOCI) and amortised cost financial assets. The classification depends on the Group's business model for managing the financial asset as well as its contractual cash flow characteristics.

Management determines the classification of its investments at initial recognition. In the case of financial assets classified as FVTOCI, this designation is irrevocable.

Financial assets at fair value through other comprehensive income (FVTOCI)

The Group's 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 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.

	2016 $m	2015 $m
Non-current		
Listed equity securities	892.4	1,097.6
Unlisted equity securities	82.2	43.3
Total other financial assets – non-current	**974.6**	**1,140.9**

Listed and unlisted 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 market price at 30 June 2016.

Dividends totalling $36.8 million (2015: $44.4 million) were received from the Group's financial assets at FVTOCI during the year. Losses of $46.9 million relating to disposals of listed equity securities were realised during the year. These losses remain in the fair value through OCI reserve and will not be recycled to profit or loss in accordance with AASB 9.

Unlisted equity securities comprise of the Group's investments in an unlisted private equity media investment fund.

Refer to Note 21: Financial Risk Management for further detail on the valuation methodology for unlisted equity securities.

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.

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Accounting policy (continued)

	2016 $m	2015 $m
Current assets		
Forward foreign exchange contracts – cash flow hedges	0.7	2.5
Equity derivatives	1.0	–
	1.7	2.5
Non-current assets		
Cross currency swaps – cash flow hedges	184.4	142.1
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	(12.5)	(4.6)
Equity derivatives	(3.9)	(7.4)
	(16.4)	(12.0)
Non-current liabilities		
Forward foreign exchange contracts and cross currency swaps – cash flow hedges	(7.3)	(22.6)
Interest rate swaps – cash flow hedges	(1.5)	(6.6)
	(8.8)	(29.2)
Net derivative financial instruments	**160.9**	**103.4**

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.

Refer to Note 21: Financial Risk Management.

Interest rate swaps

The Group's policy is to hedge a portion of its interest bearing liabilities from exposure to changes in interest rates.

The gain or loss from remeasuring the hedging instruments to fair value is deferred in equity in the hedge reserve and reclassified into profit and loss when the hedged interest expense is recognised. To the extent that the hedge is ineffective or undesignated, the fair value movement is recognised in 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. 100% of USD denominated debt and coupon obligations are hedged with foreign exchange derivatives.

The Group from time to time also enters into forward foreign exchange contracts to hedge certain known trading commitments predominantly denominated in US Dollars. The terms of these commitments are generally shorter than one year.

Cross currency swaps

The Group has obligations to repay the principal and interest relating to USD denominated debt. The Group enters into cross currency swap contracts to hedge these obligations.

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.

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.

	2016 $m	2015 $m
Contributed equity		
281,240,870 ordinary shares, fully paid (2015: 296,181,800)	2,046.0	2,118.1
4,963,640 TELYS4 preference shares, fully paid (2015: 4,963,640)	427.2	427.2
77,544 treasury shares, fully paid (2015: 116,316)	(0.5)	(0.7)
Balance at end of the year	**2,472.7**	**2,544.6**
Movements in ordinary shares		
Balance at beginning of year	2,118.1	2,159.0
On-market share buy-back and cancellation of shares	(72.1)	(40.9)
Balance at end of the year	**2,046.0**	**2,118.1**
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	(0.7)	–
Shares vested and transferred to employee	0.2	–
On-market share acquisition – 27 November 2014	–	(0.7)
Balance at end of the year	**(0.5)**	**(0.7)**

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.

The Company completed the on-market share buy-back on 11 March 2016, with 14.7 million of the Company's shares having been acquired and subsequently cancelled at a total cost of $71.0 million. A further share buy-back was announced on 23 February 2016, with a target of 16.6 million shares, being approximately 5.9 per cent of the Company's ordinary shares. At 30 June 2016, 0.3 million shares had been acquired on-market and subsequently cancelled at a total cost of $1.7 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.

During the year ended 30 June 2016, there were nil options exercised, cancelled or forfeited (2015: nil options exercised, cancelled or forfeited).

24. CAPITAL AND RESERVES (CONTINUED)

RESERVES

Nature and purpose of reserves

Acquisitions reserve	The acquisitions reserve is used to record the difference between the fair value of consideration paid for the non-controlling interest of subsidiaries, and the book value of those subsidiaries' share of net assets at date of acquisition.
Employee equity benefits reserve	The employee equity benefits reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration.
Common control reserve	The acquisition of WesTrac Group by the Company during the period ended 30 June 2010 was accounted for as a common control transaction. As a consequence, the difference between the fair value of the consideration paid and the existing book values of assets and liabilities of the WesTrac Group was debited to a common control reserve. 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. Prior to the adoption of AASB 9: *Financial Instruments*, this reserve was known as the Cash Flow Hedge Reserve.
Fair value through OCI reserve	In the prior year, the fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised. From 1 July 2015, the Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income (refer to Note 1E). Under AASB 9, the net change in the fair value of financial assets measured at fair value through other comprehensive income (FVTOCI) will 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 2016							
As at 1 July 2015	**(63.5)**	**4.3**	**(642.6)**	**9.6**	**216.4**	**131.6**	**(344.2)**
Impact of transition – AASB 9: Financial Instruments	–	–	–	0.4	–	–	0.4
Fair value movement on financial assets measured at FVTOCI	–	–	–	–	(225.5)	–	(225.5)
Tax effect of net gain on financial assets measured at FVTOCI	–	–	–	–	67.7	–	67.7
Net gain on cash flow hedges	–	–	–	31.9	–	–	31.9
Tax effect of net gain on cash flow hedges	–	–	–	(9.6)	–	–	(9.6)
Movement in reserves of equity accounted investees	–	(0.4)	–	(3.3)	–	1.2	(2.5)
Currency translation differences	–	–	–	–	–	14.4	14.4
Share based payments	–	1.4	–	–	–	–	1.4
As at 30 June 2016	**(63.5)**	**5.3**	**(642.6)**	**29.0**	**58.6**	**147.2**	**(466.0)**
Year ended 30 June 2015							
As at 1 July 2014	**(63.5)**	**7.6**	**(642.6)**	**(1.9)**	**158.9**	**(16.2)**	**(557.7)**
Fair value movement on available-for-sale financial assets	–	–	–	–	77.2	–	77.2
Tax effect of net gain on available-for-sale financial assets	–	–	–	–	(19.7)	–	(19.7)
Net gain on cash flow hedges	–	–	–	17.7	–	–	17.7
Tax effect of net gain on cash flow hedges	–	–	–	(5.4)	–	–	(5.4)
Movement in reserves of equity accounted investees	–	(3.9)	–	(0.8)	–	2.5	(2.2)
Currency translation differences	–	–	–	–	–	145.3	145.3
Share based payments	–	0.6	–	–	–	–	0.6
As at 30 June 2015	**(63.5)**	**4.3**	**(642.6)**	**9.6**	**216.4**	**131.6**	**(344.2)**

25. DIVIDENDS

	Date of payment	Franked / unfranked	Amount per share	Total $m
Year ended 30 June 2016				
Dividends paid				
Ordinary shares				
Final dividend in respect of 2015 year	9 Oct 15	Franked	$0.20	58.5
Interim dividend	12 Apr 16	Franked	$0.20	56.4
				114.9
Transferable Extendable Listed Yield Shares (TELYS4)				
Dividend	30 Nov 15	Franked	$2.45	12.1
Dividend	31 May 16	Franked	$2.50	12.5
				24.6
Subsequent event				
Current period final dividend on ordinary shares proposed but not provided for				
Ordinary shares				
Final dividend in respect of 2016 year	7 Oct 16	Franked	$0.20	56.2
Balance of franking account at 30%				142.2
Year ended 30 June 2015				
Dividends paid				
Ordinary shares				
Final dividend in respect of 2014 year	13 Oct 14	Franked	$0.20	60.5
Interim dividend	10 Apr 15	Franked	$0.20	59.2
				119.7
Transferable Extendable Listed Yield Shares (TELYS4)				
Dividend	1 Dec 14	Franked	$2.62	13.0
Dividend	1 Jun 15	Franked	$2.64	13.1
				26.1
Ordinary shares				
Final dividend in respect of 2015 year	9 Oct 15	Franked	$0.20	59.2
Balance of franking account at 30%				170.5

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 $24.1 million (2015: $25.4 million).

26. CONTINGENT LIABILITIES

	2016 $m	2015 $m
Performance guarantees	142.5	174.2
Financial guarantees	31.0	53.1
Total contingent liabilities	**173.5**	**227.3**

Performance guarantees

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

26. CONTINGENT LIABILITIES (CONTINUED)

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 2016.

The Group has entered into a number of financial guarantees in relation to subsidiary debt facilities and other financing arrangements. The drawn amount of these facilities are recorded as interest bearing liabilities in the consolidated statement of financial position and disclosed in Note 20: Interest Bearing Loans and Borrowings.

The nature of the Group's and equity accounted investees' activities are such that, from time to time, claims are received or made by the Group. The Directors are of the opinion that no claims are expected to have a material adverse effect on the financial statements of the Group and as such do not require disclosure as a contingent liability.

27. COMMITMENTS

	2016 $m	2015 $m
Capital expenditure commitments		
Payable:		
Not later than one year	25.9	25.8
Finance lease commitments		
Payable:		
Not later than one year	1.4	6.3
Later than one year but not later than five years	0.5	1.3
Minimum lease payments[(a)]	1.9	7.6
Less future finance charges	–	–
	1.9	**7.6**
Operating lease commitments[(b)]		
Payable:		
Not later than one year	50.5	58.2
Later than one year but not later than five years	153.8	187.2
Later than five years	48.7	72.7
	253.0	**318.1**
Exploration expenditure commitments[(c)]		
Payable:		
Not later than one year	27.2	102.8
Later than one year but not later than five years	10.5	3.8
	37.7	**106.6**
The above commitments include exploration expenditure commitments relating to joint venture operations in relation to AC/RL9:		
Not later than one year	7.2	42.8
Later than one year but not later than five years	10.5	3.8
	17.7	**46.6**
Other commitments[(d)]		
Payable:		
Not later than one year	72.8	26.4

(a) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual value.

(b) The Group leases various offices and sites under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(c) Exploration expenditure commitments relate to work commitments pursuant to the award of petroleum exploration permits WA377P and AC/RL9. Estimates for future exploration expenditure commitments are based on estimated well and seismic costs which will change as actual drilling location and seismic surveys are organised and are determined in current dollars on an undiscounted basis. The exploration and evaluation obligations may vary significantly as a result of renegotiations with relevant parties.

(d) Other commitments relates to the Group's commitment to invest in an unlisted investment fund.

28. EVENTS SUBSEQUENT TO BALANCE DATE

Other than as outlined below, there has not arisen in the interval between 30 June 2016 and the date of this Report any other event that would have had a material effect on the Financial Statements as at 30 June 2016.

On 20 July 2016, Managing Director & Chief Executive Officer of the Company, Mr Ryan Stokes became a Non-Executive Director of Beach Energy Limited (Beach Energy), an ASX-listed oil and gas production and exploration company. The board representation, combined with the Group's 22.89% interest result in the Group having significant influence over Beach Energy. Accordingly the Group's investment in Beach Energy will change from being a financial asset fair valued through other comprehensive income to an equity accounted investee from 20 July 2016.

On 2 August 2016, the carrying value of the Group's equity accounted investment in Seven West Media Limited decreased $133.0 million to $522.8 million due to the fall in its share price from $1.06 at 30 June 2016 to $0.845 at 2 August 2016.

On 3 August 2016, the Company announced the on-market buy-back of up to 10 per cent of its TELYS4 preferences shares on issue. The buy-back will be funded from the Group's existing cash reserves with any shares acquired subsequently cancelled.

29. PARENT ENTITY DISCLOSURES

As at and throughout the year ended 30 June 2016 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	
	2016 $m	2015 $m
Financial position of parent entity at end of the year		
Current assets	0.6	1.1
Total assets	3,127.2	3,117.8
Current liabilities	102.2	26.2
Total liabilities	533.4	457.4
Total equity of the parent entity comprising of:		
Contributed equity	2,472.7	2,544.6
Reserves	5.9	4.5
Retained earnings	115.2	111.2
Total shareholders equity	**2,593.8**	**2,660.3**
Result of the parent entity		
Profit for the year	143.5	179.6
Total comprehensive income for the year	**143.5**	**179.6**
Other information		
Contingent liabilities of the parent entity[a]	126.1	145.9

(a) Relates to financial guarantees provided to third parties by the parent entity for subsidiary debt facilities and other financing arrangements. These facilities are held by entities that are outside of the Deed of Cross Guarantee disclosed in Note 30: Controlled Entities.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 30: Controlled Entities.

In addition to the contingent liabilities shown above, the parent entity guarantees a number of debt facilities held by various controlled entities who are part of the Deed of Cross Guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

30. CONTROLLED ENTITIES

	Notes	Country of incorporation	OWNERSHIP INTEREST 2016 %	2015 %
Parent entity				
Seven Group Holdings Limited	(a)	Australia		
Subsidiaries				
Allight Holdings Pty Limited	(a)	Australia	100	100
AllightSykes New Zealand Limited	(b)	New Zealand	100	100
AllightPrimax FZCO		UAE	100	100
AllightSykes Pty Limited	(a)	Australia	100	100
AllightSykes SA (Proprietary) Limited		South Africa	100	100
ATPH Pty Limited		Australia	100	100
ATP1 Pty Limited		Australia	100	100
ATP2 Pty Limited		Australia	100	100
ATP3 Pty Limited		Australia	100	100
C7 Pty Limited	(a)	Australia	100	100
Direct Target Access Pty Limited	(a)	Australia	100	100
EMT Group Pty Limited		Australia	100	100
FGW Pacific Pty Limited		Australia	100	100
Industrial Investment Holdings Pty Limited		Australia	100	100
Kimlin Holdings Pty Limited		Australia	100	100
Liaoning WesTrac Machinery Equipment Limited		China	100	100
Manooka Holdings Pty Limited	(a)	Australia	100	100
Miltonstar Pty Limited	(a)	Australia	100	100
Mining Equipment Spares Pty Limited		Australia	100	100
National Hire Facilitation Pty Limited	(a)	Australia	100	100
National Hire Group Limited	(a)	Australia	100	100
Network Investment Holdings Pty Limited	(a)	Australia	100	100
Point Pty Limited	(a)	Australia	100	100
Primax USA Inc		USA	100	100
Priority People Solutions Pty Ltd		Australia	100	100
PT AllightSykes		Indonesia	100	100
Pump Rentals Pty Limited	(a)	Australia	100	100
Realtime Reporters Pty Limited		Australia	100	100
Seven Broadcast Properties Trust		Australia	100	100
Seven Custodians Pty Limited	(a)	Australia	100	100
Seven Entertainment Pty Limited		Australia	100	100
Seven Finance Pty Limited		Australia	100	100
Seven Media Group Pty Limited	(a)	Australia	100	100
Seven (National) Pty Limited	(a)	Australia	100	100
Seven Network International Limited	(a)	Australia	100	100
Seven Network Investments Pty Limited	(a)	Australia	100	100
Seven Network Limited	(a)	Australia	100	100
Seven Network Nominees Pty Limited	(a)	Australia	100	100
Seven Network (United States) Inc		USA	100	100
Seven Resources Pty Limited	(a)	Australia	100	100
Seven (WAN) Pty Limited	(c)	Australia	100	100
SGH Communications Pty Limited		Australia	100	100
SGH Energy Aust. Pty Limited	(d) (e)	Australia	100	100
SGH Energy Corporate Pty Ltd	(d) (f)	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	(d) (f)	Australia	100	100
SGH Energy NV Pty Ltd	(d) (f)	Australia	100	100
SGH Energy Pty Ltd	(d) (g)	Australia	100	100

	Notes	Country of incorporation	OWNERSHIP INTEREST 2016 %	2015 %
SGH Energy Services Pty Ltd	(d) (f)	Australia	100	100
SGH Energy VICP54 Pty Ltd	(d) (f)	Australia	100	100
SGH Energy VICP56 Pty Ltd	(d) (f)	Australia	100	100
SGH Energy WA Pty Ltd	(d) (f)	Australia	100	100
SGH Energy WA377P Pty Ltd	(d) (f)	Australia	100	100
SGH Productions Pty Limited	(a) (h)	Australia	100	100
Sitech (Beijing) Engineering Technology Development Company Limited		China	51	51
Sitech Solutions Pty Limited		Australia	51	51
Sitech (WA) Pty Limited		Australia	51	51
SMG Executives Pty Limited		Australia	100	100
SMG FINCO Pty Limited	(a)	Australia	100	100
SNZ Pty Limited	(a)	Australia	100	100
Specialised Investments Pty Limited		Australia	100	100
Sykes Fleet Services Pty Limited		Australia	100	100
Sykes Group Pty Limited	(a)	Australia	100	100
Tallglen Pty Limited	(a)	Australia	100	100
Tianjin WesTrac Machinery Equipment Limited		China	100	100
Weishan (Beijing) Machinery Equipment Limited		China	100	100
WesTrac (Beijing) Machinery Equipment Limited		China	100	100
WesTrac China Limited		Hong Kong	100	100
WesTrac (China) Machinery Equipment Limited		China	100	100
WesTrac Fleet Pty Limited		Australia	100	100
WesTrac Holdings Pty Limited	(a)	Australia	100	100
WesTrac Hong Kong Limited		Hong Kong	100	100
WesTrac Inventory Pty Limited		Australia	100	100
WesTrac Machinery Distribution Pty Limited		Australia	100	100
WesTrac Pty Limited		Australia	100	100

(a) Pursuant to ASIC Class Order 98/1418 (as amended) (dated 13 August 1998) these controlled entities are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of financial reports.
(b) This company changed its name to AllightSykes New Zealand Limited on 22 October 2015 (formerly Sykes New Zealand Limited).
(c) This controlled entity entered into the Deed of Cross Guarantee with the Company via Assumption Deed on 2 November 2015.
(d) These companies were acquired on 31 December 2014 as part of the Nexus Deed of Company Arrangement.
(e) SGH Energy Aust. NL changed its name to SGH Energy Aust. Pty Limited on 30 July 2015.
(f) These companies changed their name on 18 February 2015 (previously Nexus).
(g) This company changed its name from Nexus Energy Limited to SGH Energy Pty Ltd on 24 March 2015.
(h) Seven Productions Pty Limited changed its name to SGH Productions Pty Limited on 11 December 2014.

Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) ("Class Order") the wholly-owned controlled entities listed above (marked (a)) are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' reports.

It is a condition of the Class Order that the Company and each of the wholly-owned controlled entities (marked (a)) enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the parties to the Deed under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

30. CONTROLLED ENTITIES (CONTINUED)

Deed of cross guarantee (continued)

A combined statement of comprehensive income and combined statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, are set out below.

	COMBINED	
	2016 $m	2015 $m
Statement of comprehensive income		
Revenue		
Revenue	69.3	65.4
Other income		
Other income	11.5	27.9
Gain on sale of investments and equity accounted investees	0.2	26.9
Dividend income	134.2	175.7
Total other income	**145.9**	**230.5**
Share of results from equity accounted investees	79.0	(210.4)
Impairment reversal/(impairment) of equity accounted investee	5.5	(200.8)
Fair value movement of derivatives	4.2	–
Expenses excluding depreciation and amortisation		
Expenses	(104.2)	(242.8)
Depreciation and amortisation	(1.6)	(6.5)
Profit/(loss) before net finance expense and income tax	**198.1**	**(364.6)**
Net finance expense	(39.3)	(18.9)
Profit/(loss) before income tax	**158.8**	**(383.5)**
Income tax benefit	24.6	281.6
Profit/(loss) for the year	**183.4**	**(101.9)**
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	(255.0)	–
Income tax on items of other comprehensive income	76.5	–
Total items that will not be reclassified subsequently to profit or loss	**(178.5)**	**–**
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available-for-sale financial assets	–	60.4
Cash flow hedges: effective portion of changes in fair value	–	(0.8)
Foreign currency differences for foreign operations	4.3	5.3
Income tax on items of other comprehensive income	–	(16.8)
Total items that may be reclassified subsequently to profit or loss	**4.3**	**48.1**
Total comprehensive income for the year	**8.3**	**(53.8)**
Movement in retained earnings		
Retained profits at beginning of the year	476.7	724.5
Profit/(loss) for the year	183.4	(101.9)
Dividends paid during the year	(139.4)	(145.9)
Retained earnings at end of the year	**520.7**	**476.7**

	COMBINED	
	2016 $m	2015 $m
Statement of financial position		
Current assets		
Cash and cash equivalents	128.4	126.0
Trade and other receivables	44.1	34.2
Inventories	28.2	17.0
Current tax assets	–	11.0
Other current assets	0.1	0.1
Derivative financial instruments	1.3	0.1
Total current assets	**202.1**	**188.4**
Non-current assets		
Investments in controlled entities	865.5	1,107.4
Investments accounted for using the equity method	969.1	683.8
Other financial assets	892.4	1,074.7
Property, plant and equipment	2.3	14.2
Intangible assets	0.9	0.1
Total non-current assets	**2,730.2**	**2,880.2**
Total assets	**2,932.3**	**3,068.6**
Current liabilities		
Interest bearing loans and liabilities	80.1	40.1
Trade and other payables	46.9	47.8
Loans from related parties	28.2	127.2
Deferred income	0.9	0.7
Provisions	3.9	3.7
Derivative financial instruments	4.6	4.2
Total current liabilities	**164.6**	**223.7**
Non-current liabilities		
Interest bearing loans and liabilities	866.5	797.2
Deferred tax liabilities	23.9	61.0
Trade and other payables	0.4	1.1
Provisions	4.2	4.8
Deferred income	7.3	7.3
Total non-current liabilities	**902.3**	**871.4**
Total liabilities	**1,066.9**	**1,095.1**
Net assets	**1,865.4**	**1,973.5**
Equity		
Issued capital	2,472.7	2,544.6
Reserves	(1,128.0)	(1,047.8)
Retained earnings	520.7	476.7
Total equity	**1,865.4**	**1,973.5**

31. BUSINESS COMBINATION

Accounting policy

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control (refer Note 1(B)) of the other combining entities or businesses. The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The acquisition date is the date on which control is transferred to the acquirer.

Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

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

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

Measuring goodwill

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

Contingent liabilities

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

Non-controlling interest

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

Transaction costs

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

Acquisition of Nexus Energy Limited (prior year acquisition)

The acquisition accounting of Nexus Energy Limited (now known as SGH Energy Pty Limited) was completed during the year.

The final acquisition accounting resulted in a $25.9 million reduction in the goodwill recognised on acquisition, predominantly attributable to a reduction in the fair value of provisions for restoration of $12.4 million as well as a reduction in trade and other payables of $18.0 million. The Group's investment in Crux was reclassified from a development to an exploration asset, resulting in a reclassification of $224.5 million. Refer to Note 14: Exploration and evaluation assets for further detail.

	Final $m	Provisional $m
Consideration		
Consideration paid, net of cash acquired	221.4	221.4
Identifiable assets acquired and liabilities assumed		
Trade and other receivables	3.5	11.7
Producing and development assets	101.6	326.1
Exploration and evaluation assets	230.0	5.5
Deferred tax assets	0.9	–
Trade and other payables	(14.9)	(32.9)
Provisions (including employee benefits)	(99.7)	(114.9)
Fair value of net identifiable assets	**221.4**	**195.5**
Goodwill on acquisition		
Total consideration transferred for accounting purposes at fair value	221.4	221.4
Fair value of identifiable net assets	(221.4)	(195.5)
Goodwill on acquisition	**–**	**25.9**

There is no goodwill on acquisition, reflecting the limited synergies with the Group's other operating businesses. In determining the fair value of assets acquired in a business combination, management have used reports prepared by valuation specialists.

32. RELATED PARTY DISCLOSURES

Key management personnel compensation

Detailed remuneration disclosures, including movements in equity holdings for KMP, are disclosed in the Remuneration Report section of the Director's Report.

The aggregate compensation made to the Key Management Personnel of the Group is set out below:

	2016 $000	2015 $000
Short-term employee benefits	8,513	9,042
Post-employment benefits	306	209
Termination benefits	–	454
Other long-term employee benefits	181	277
Share-based payments	840	2,010
Total key management personnel compensation	**9,840**	**11,992**

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.

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.

	2016 $m	2015 $m
Sales revenue		
Associates	1.9	2.4
Joint ventures	29.8	25.5
Other income		
Joint ventures	2.0	3.4
Rental expense		
Joint ventures	(1.3)	(1.7)
Other expenses		
Associates	(3.7)	(3.9)
Joint ventures	(0.8)	(0.7)
Expense reimbursement		
Associates	(0.2)	(0.4)
Outstanding balances arising from transactions with equity accounted investees:		
Trade and other receivables		
Associates	0.6	0.7
Joint ventures	11.6	2.9
Tax payable to equity accounted investee who is a member of the tax-consolidated group		
Associates	(38.6)	(30.7)

33. AUDITOR'S REMUNERATION

Amounts received or due and receivable by auditors of the Company are set out below.

	2016 $000	2015 $000
Audit and audit related services		
Auditors of the Company		
KPMG Australia		
Audit and review of financial reports	765	779
Overseas KPMG firms		
Audit and review of financial report	205	239
Total audit and audit related services	**970**	**1,018**
Other services		
Auditors of the Company		
KPMG Australia		
Other advisory services	76	5
Other tax and advisory services	105	–
Overseas KPMG firms		
Other tax and advisory services	19	17
Total other services	**200**	**22**
Total auditor's remuneration	**1,170**	**1,040**

All amounts payable to the auditors of the Company were paid by Group subsidiaries.

KPMG are only appointed to assignments additional to their statutory audit duties where they are able to maintain their audit independence.

DIRECTORS' DECLARATION

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 75 to 134, and the Remuneration Report, set out on pages 55 to 71 in the Directors' Report are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

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 2016.

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

MC Wells
Chairman of the Audit & Risk Committee

Sydney
3 August 2016

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the members of Seven Group Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Seven Group Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, Notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of 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 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 56 to 71 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Seven Group Holdings Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Leighton *Partner*	Stephen Isaac *Partner*

Sydney

3 August 2016

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 12 July 2016 are as follows:

Shareholder	No. of Shares	% Held*
KM Stokes; North Aston Pty Limited, Wroxby Pty Limited, Tiberius (Seven Investments) Pty Limited and Ashblue Holdings Pty Limited; Tiberius Pty Limited, Redlake Pty Limited and Tiberius group entities; Australian Capital Equity Pty Limited, Clabon Pty Limited and Australian Capital Equity Pty Limited group entities.	207,304,349	73.05

* Based on issued capital at date of notification.

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND TELYS4 SHAREHOLDERS

Category (No.s)	Ordinary Shareholders	TELYS4
1 – 1,000	4,790	8,070
1,001 – 5,000	3,762	694
5,001 – 10,000	581	45
10,001 – 100,000	332	23
100,001 – and over	41	4
Total number of Holders	9,506	8,836
Number of Holdings less than a Marketable Parcel	583	14

TWENTY LARGEST ORDINARY SHAREHOLDERS

Name of Shareholder	No. of Shares	% Held
North Aston Pty Limited	114,110,000	40.58
Ashblue Holdings Pty Limited	62,462,442	22.21
Wroxby Pty Limited	23,731,907	8.44
HSBC Custody Nominees (Australia) Limited	15,428,143	5.49
JP Morgan Nominees Australia Limited	10,601,113	3.77
Citicorp Nominees Pty Limited	9,371,759	3.33
Tiberius (Seven Investments) Pty Limited	7,000,000	2.49
National Nominees Limited	3,893,746	1.39
BNP Paribas Nominees Pty Limited	1,906,431	0.67
Warbont Nominees Pty Limited	872,476	0.31
HSBC Custody Nominees (Australia) Limited	793,146	0.29
JAN 123 Pty Limited	667,851	0.23
JMB Pty Limited	554,400	0.19
HSBC Custody Nominees (Australia) Limited	517,767	0.18
AMP Life Limited	509,549	0.18
Yalgardup Corporation Pty Limited	494,345	0.18
RBC Investor Services Australia Nominees Pty Limited	424,153	0.15
Uechtritz Foundation Pty Limited	271,730	0.09
Mr B.M. Lambert	239,547	0.09
Elphinstone Holdings Pty Limited	222,500	0.08
Total Twenty Largest Ordinary Shareholders	254,073,005	90.34

TWENTY LARGEST TELYS4 SHAREHOLDERS

Name of Shareholder	No. of TELYS4	% Held
Sandhurst Trustees Limited	165,274	3.33
HSBC Custody Nominees (Australia) Limited	146,643	2.96
JP Morgan Nominees Australia Limited	111,304	2.24
Navigator Australia Limited	111,260	2.24
National Nominees Limited	86,532	1.74
Nulis Nominees (Australia) Limited	66,763	1.34
Netwealth Investments Limited	46,411	0.94
ZW2 Pty Limited	32,900	0.66
Jilliby Pty Limited	31,665	0.64
Australian Executor Trustees Limited	27,232	0.55
SR Consolidated Pty Limited	21,435	0.43
BNP Paribas Nominees Pty Limited	18,336	0.37
Excalibur Trading Pty Limited	17,480	0.36
JGW Investments Pty Limited	16,404	0.33
Netwealth Investments Limited	15,955	0.32
Lenhut Pty Limited	15,619	0.31
Farallon Capital Pty Limited	15,000	0.30
Mr E.F. and Mrs D.A. Griffin	12,000	0.24
Conchord Pty Limited	12,000	0.24
Mr L.C. and Mrs C.K. Lees	11,950	0.24
Total Twenty Largest TELYS4 Shareholders	982,163	19.78

VOTING RIGHTS

Ordinary Shares

On a show of hands, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote. On a poll, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote for every share held.

TELYS4

There are limited voting rights attached to TELYS4 as detailed in their terms of issue. In broad terms, a holder has the right to vote if a dividend is in arrears, on a proposal to reduce share capital, affecting rights on the TELYS4, on a winding up of the company, on a disposal of the whole undertaking of the company, on a resolution to approve a buy-back agreement and during the winding up of the company. Upon conversion of the TELYS4, the resulting issued shares will confer full voting rights.

Stock Exchange Listing

The Company is listed with the Australian Securities Exchange Limited and the home exchange is Sydney.

On-Market Buy-Back

There is a current on-market buy-back.

CORPORATE DIRECTORY

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Docklands VIC 3008
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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
Prof. Murray Wells

COMPANY SECRETARY
Warren Coatsworth

REGISTERED OFFICE
Company Secretariat
Level 2
38-42 Pirrama Road
Pyrmont NSW 2009

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Boardroom Pty Limited
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